

# Fiscal Year 2003-2004



## *Fast Facts and Talking Points*

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Louisiana House of Representatives  
*Prepared by House Fiscal Division*  
July 28, 2003

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## FAST FACTS ON 2003 BUDGET ACTIONS

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OVERVIEW
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### Proposed Executive Budget for FY 03-04

- At the time the Executive Budget was submitted to the Legislature, the revenue estimate for FY 03-04 indicated less than 1% revenue growth over FY 02-03, or about \$62 million. However, the FY 02-03 spending base included use of \$86 million from the Budget Stabilization Fund. The estimated available revenue for FY 03-04 was actually less than the amount in the FY 02-03 existing budget.
- The Executive Budget provided for required costs for the MFP, debt service, prisoner health care, and certain other mandated expenditures, but did not provide for increased retirement contributions or road and bridge hazard judgments.
- Even with limited revenue growth, the Governor's proposed budget included enhancements to support his initiatives in higher education, K-12 accountability programs, and economic development.
- Funding of these enhancements and mandated costs was accomplished by making significant reductions in other areas, primarily in health and hospitals.
- The Executive Budget proposal for health care would have required major restructuring to shift from institutional services to community-based care. The proposed budget would have required 30% rate reductions to some private providers, closure of several state facilities and involuntary discharge of a number of disabled and mentally ill clients into an as yet underdeveloped community care system.
- Both DHH and the administration admitted that implementation of such an ambitious transition in a limited timeframe was not feasible.
- The proposed budget was also dependent on a number of uncertain and one-time revenue sources, including:
  - \$70 million – Use of Medicaid Trust Fund for the Elderly capital gains and principal requiring sell-off of most securities in the trust fund
  - \$74 million – Federal aid to the states which was highly speculative at that time
  - \$200 million – Revenue to be generated by consultants from unidentified Federal sources related to health care

## **Legislative Session Budget Actions**

- The Legislature's budget actions during the session focused on restoring adequate funding for Medicaid and state health care facilities, while maintaining important initiatives in higher education and K-12 education and avoiding a raid of the Medicaid Trust Fund for the Elderly.

### Budget Deliberations prior to Federal Fiscal Relief

- In initial budget deliberations by the House Appropriations Committee, a plan was devised to restore a substantial portion of health care reductions and other needs by:
  - Reducing or eliminating several of the Governor's proposed enhancements, primarily in higher education and economic development.
  - Savings in a number of state agencies
  - Debt service savings through use of a \$29 million bond sale premium
  - Reducing Urban and Rural Development programs by 50%
  - Savings from a one-time debt defeasance plan
- This plan would have financed restoration of a large portion of the Executive Budget reduction in health care, limiting rate reductions to 5% rather than 30% and avoiding facility closures. It would also have funded required retirement contributions by state agencies, judgments, and other limited restorations.

### Budget Actions after Federal Fiscal Relief

- With Congressional passage of temporary Federal Fiscal Relief for states, the Legislature was able to restore funding to health care and other areas of need while still maintaining most of the Governor's proposed enhancements in education.
- A total of \$289 million in Federal Fiscal Relief for Louisiana came in the form of:
  - \$137 million from enhanced Federal Medicaid match rate of 2.95% for the last quarter of FY 02-03 and all of FY 03-04.
  - \$152 million from flexible grants which must be spent for essential state services or for state costs of complying with federal government mandates for which Federal Funds have not been provided.
- A small amount of these Federal Fiscal Relief funds was budgeted in FY 02-03, but most was applied to funding the FY 03-04 budget.

### FY 02-03 - \$35.3 million

- \$25.9 million from the enhanced Medicaid match rate was used to restore Executive Order cuts for cost report payments and outlier payments (primarily for hospitals providing neonatal and children's services) and to repay charity hospitals (\$14.4 million) and LSU Shreveport hospital (\$3 million) for matching costs previously contributed from their reserves.

- Flexible grant funding of \$9.4 million was used replace State General Fund which helped to fund a \$95 million three-year debt defeasance plan.

#### FY 03-04 - \$253.8 million

- \$111.2 million from enhanced Medicaid match rate was used to help finance Medicaid budget.
- \$142.6 million in flexible grant funding was used as a means of financing substitution for State General Fund.
- This federal assistance helped to avoid substantial budget reductions in most areas for FY 03-04; however, these are one-time funds which will require offsetting budget reductions or a replacement source of revenue in the future.
- In the budget as finally adopted:
  - Medicaid and other health care funding were restored for the most part to spending levels projected by DHH.
  - Substantial reductions remained for the LSU HCSD charity hospitals and the LSU HSC Shreveport hospital
  - Funding was provided for payment of retirement contributions by state agencies and for payment of numerous judgments against the state.
  - Funding restorations were provided for a number of areas, including the Department of Agriculture and Forestry, elections, the child care assistance program, the Attorney General's Office, and state parks.

#### Debt Defeasance Plan

- The final budget adopted by the Legislature included a three-year debt defeasance plan designed to mitigate to some extent the impact of one-time funding used in the FY 03-04 budget.
- The \$95.4 million cost of the plan was financed by \$66.4 million from the Mineral Audit Settlement Fund, \$19.7 million in nonrecurring revenue, and \$9.4 million in State General Fund from a means of financing swap with Federal Fiscal Relief funds.
- Debt service savings from the plan are \$46.4 million in FY 03-04, \$30 million in FY 04-05, and \$21 million in FY 05-06, for a total debt service reduction of \$97.4 million.

#### Use of One-time Revenue in the Budget

- The FY 03-04 budget as finally adopted makes use of approximately \$309 million in one-time sources of funding that will not be available for FY 04-05 budget planning, including \$254 million in Federal Fiscal Relief funds and \$29 million from a premium on the Spring 2003 bond sale.
- Additionally, almost all of the TANF block grant fund balance used for the past three years to fund various initiatives, will be spent by the end of FY 03-04. TANF initiative funding totals \$117 million for FY 03-04.

- The FY 03-04 budget uses \$196 million from a federal Medicaid option that allows payments to public hospitals equal to 175% of hospital care costs for indigents. DHH recovers the 75% overpayment amount and uses it as part of the state's Medicaid match cost. Under Federal rules, this financing mechanism is available for only two years, FY 03-04 and FY 04-05.
- The total of one-time funding (\$309 million) and funding associated with the two-year "175%" Medicaid financing option (\$196 million) in the FY 03-04 budget is about \$515 million. Assuming that the \$309 million in one-time funds is offset in some way in the FY 04-05 budget, the state will still have to address the additional loss of \$196 million in the following FY 05-06.

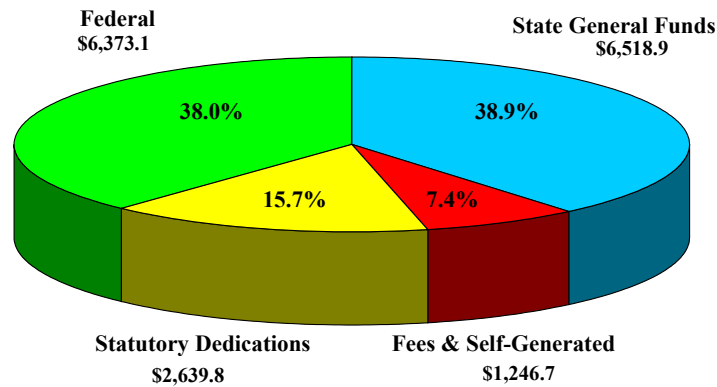
### **FY 03-04 State General Fund Revenues**

- In January 2003, the Revenue Estimating Conference set the recurring State General Fund estimate for FY 03-04 to be used in the Executive Budget at \$6.457 billion, an increase of only \$62.1 million when compared with the FY 02-03 State General Fund estimate adopted at that meeting. The conference met again on May 16, 2003, but it increased the FY 03-04 estimate only by \$22 million, to a total of \$6.48 billion.
- The impact of the "Stelly Plan" is seen in a decline in sales and use taxes (5.8%) due to removal of food for home consumption and residential utilities from the tax base and an increase in individual income tax projections (14.5%).
- Estimates for oil and gas revenues decline from FY 02-03 levels and corporate tax collections are almost flat.

## FY 03-04 Means of Financing

- Total state budget for FY 03-04 is \$16.8 billion. The \$6,519 million from the State General Fund exceeds the official recurring revenue forecast of \$6,479.5 million due to inclusion of \$4.2 million in nonrecurring funds for capital outlay, \$29 million from a bond sale premium payment, and \$6 million in net revenue gain from fund transfers and other legislation.

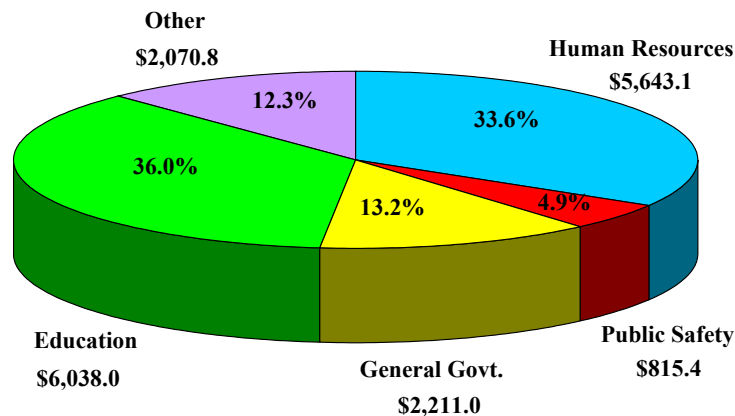
**Means of Financing = \$16,778.4**  
(In Millions of \$)



## FY 03-04 Appropriations

- Total appropriations are distributed among major functional areas as follows:

**Total Appropriations From All MOF**  
**Total = \$16,778.4**  
(In Millions of \$)



*Note: Other includes Economic Development, Culture, Labor, Environment, Natural Resources, Wildlife and Fisheries, Agriculture, DOTD, and Capital Outlay.*

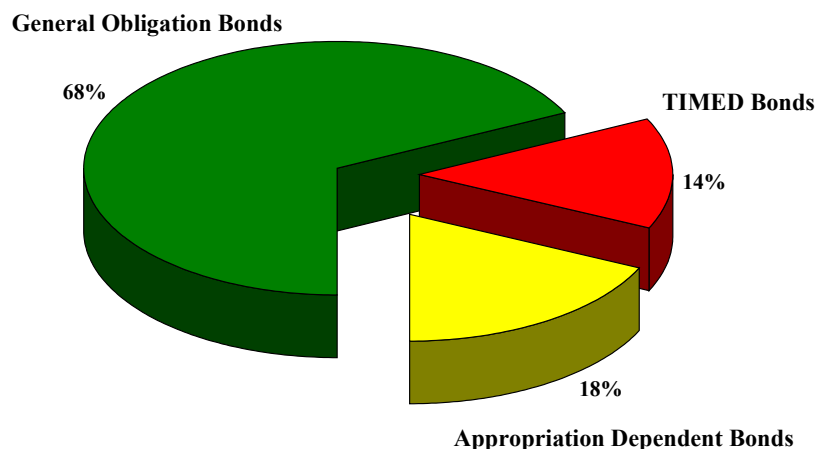
### **FY 03-04 Budget Growth**

- Total budget for FY 03-04 is \$16.8 billion compared to the FY 02-03 budget of \$16.5 billion (existing operating budget as of 12/02/02), an increase of \$245 million or 1.48%. The increase is largely due to an increase in Federal funds of \$316 million.
- The State General Fund budget for FY 03-04 is \$6,519 million compared to the FY 02-03 SGF budget of \$6,648 million (existing operating budget as of 12/02/02), a decrease of \$129.6 million or 1.95%. This decrease is primarily related to a decrease in the amount of available nonrecurring revenue and limited revenue growth.

### **State Debt and Debt Service**

- In FY 03-04, the Constitutional Debt Limit requiring that debt service be no more than 6% of tax, license and fee revenue becomes effective. The actual debt service ratio will be 5.1%.
- Louisiana issued \$290.8 million in General Obligation Bonds in FY 02-03, up from \$252 million in FY 01-02. It also issued \$275 million in TIMED bonds and \$159.8 million of appropriation dependent debt for various state facilities.
- The legislature adopted a debt defeasance plan that reduces principal and interest payments by \$97 million over three years. Total debt service in FY 03-04 is \$372.1 million, of which \$265.7 million is for General Obligation Bonds or their equivalent.

### **Sources of Outstanding Debt**





## Capital Outlay

The total capital outlay program for FY 03-04 is \$3,862.4 million. 27% is allocated to DOTD projects for highways, ports, airports, and flood control, 18.7% to other state projects, 28% for higher education institutions, and 26.3% for non-state projects, financed as follows:

\$ 4.2 million	State General Fund – Nonrecurring Revenues
20.4 million	State General Fund – Direct
87.9 million	Federal Funds
450.0 million	Federal Transportation Trust Fund
234.8 million	Transportation Trust Fund and TIMED Cash
107.0 million	Other Statutory Dedications, Self-generated Revenues, Reappropriated Cash
348.9 million	Revenue Bonds
16.0 million	Interagency Transfers

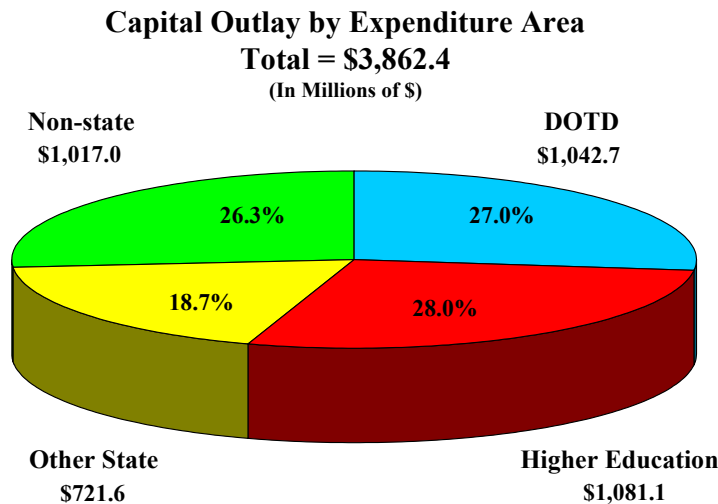
### **\$ 1,269.2 million      Total Cash**

984.8 million	Priorities 1 and 2
442.1 million	Priorities 3 and 4
1,163.3 million	Priority 5

### **\$ 2,590.2 million      Total Bonds**

3.0 million	NRP/RBP (previously sold proceeds and prepayment of reimbursement contracts)
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### **\$ 3,862.4 million      Grand Total**



<b>K-12 EDUCATION</b>
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<b>\$ 56.5 million</b>	Increased state funding for the MFP and incorporation of the Support Worker Pay Raise. 50% of growth in Level 1 and 2 (about \$22 million) must be used for certificated staff salary increases.
<b>\$103.8 million</b>	TOPS Appropriation (includes \$16.6 million from TOPS Fund from tobacco settlement proceeds)
<b>\$ 61 million</b>	TANF funding for Educational Initiatives, including: \$ 39 million LA4 and Starting Points \$ 4.5 million Dropout Prevention \$ 9.5 million After School Education \$ 6.5 million Teen Pregnancy Prevention \$ 1.5 million Adult Literacy
<b>\$ 51.8 million</b>	K-12 Accountability Initiatives, including: \$ 21.8 million Summer School and Tutoring \$ 4.3 million Distinguished Educators \$ 14.2 million Testing \$ 4.7 million School Improvement \$ 5 million K-12 Rewards \$ 1 million LINCS
<b>\$ 44.4 million</b>	Education Excellence Funds – Tobacco Settlement Revenue
<b>\$ 20 million</b>	Type 2 Charter Schools
<b>\$ 13.1 million</b>	K-3 Reading and Math Initiative
<b>\$ \$678,000</b>	Continued funding for the On-Line Database Resources available to all teachers and students
<b>\$ 3.7 million</b>	2 <sup>nd</sup> Payment to restore MFP funds reduced to 16 school systems in FY 01-02 related to pay raise calculation
<b>\$ 1.5 million</b>	Certification Stipends for national certifications as follows: \$ 850,000 170 stipends @ \$5000 each for teachers \$ 600,000 120 stipends @ \$5000 each for counselors \$ 96,000 96 stipends @ 1,000 each for school psychologists
<b>\$ 200,000</b>	Teach Louisiana First Program

<b>HIGHER EDUCATION</b>
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<b>\$ 5 million</b>	Community and Technical College Development Pool
<b>\$ 610,180</b>	Gene Therapy Research Consortium (Total funding of \$3,100,000)
<b>\$ 5.25 million</b>	Performance and Quality Improvement Pool
<b>\$ 2.7 million</b>	Health Care Workforce Development Pool for Nursing and Allied Health programs allocated as follows: \$ 1.6 million – Delgado Community College \$ 100,000 – La. Health Works Commission \$ 300,000 – Southeastern La. University \$ 700,000 – LSU, SU, UL and LCTC Systems
<b>\$ 2 million</b>	Endowed Chairs and Professorships
<b>\$ 1.5 million</b>	Increased funding for pharmacy program at Univ. of La. at Monroe
<b>\$ 38.8 million</b>	Mandated cost adjustments: \$11.9 million – Risk Management premiums \$ 5.0 million – Annualized FY 02-03 classified merit increases \$ 6.0 million – Classified merit increases for FY 03-04 \$15.9 million – Group insurance adjustments
<b>\$ 1 million</b>	Increased funding for Pennington Biomedical Research Center
<b>\$ 1 million</b>	Internet 2 Connectivity for universities
<b>\$ 1.5 million</b>	Funding for faculty recruitment at LSU Health Sciences Center - New Orleans and Shreveport
<b>\$ 925,000</b>	Funding for the Center for Development and Learning at LSU Health Sciences Center - New Orleans
<b>\$ 5 million</b>	Increased State General Fund for indigent medical care at LSU Health Sciences Center – Shreveport (also added \$3.7 million in increased Medicaid Claims payments)
<b>\$ 1 million</b>	Debt service on the LSU Charity Hospital nursing building
<b>\$ 3 million</b>	Governor's Information Technology Initiative (capital outlay)
<b>\$ 15 million</b>	Library, Instructional and Scientific Acquisitions (capital outlay)

## HEALTH AND HOSPITALS

### Medicaid

Although the Federal Fiscal Relief Act ultimately allowed for a near-complete restoration of Medicaid spending as proposed by DHH, most of the legislative budget work centered on crafting a plan for restoring funding and avoiding the deep cuts to health care reflected in the Executive Budget. Spending highlights include:

**\$183.2 million** Growth in Medicaid spending for health care services, which is 4.2% more than health care service payments in FY 02-03.

**(\$92.1 million)** Specific reductions to certain private provider payments:

(\$42 million) - Reduced initial payments for hospital outpatient services.

(\$31 million) - Retained 8-prescription limit on drugs (with physician's override) implemented in Feb. 2003.

(\$9.7 million) - Delayed expansion of behavioral management services until Jan. 2004.

(\$9.4 million) - Delayed start of Personal Care Attendant-Statewide Plan Option services until Oct. 2003.

**\$105.8 million** Increases due to annualization or increased services and payments.

**\$ 6.8 million** Targeted rate increases to address specific access issues.

**\$ 28 million** New costs associated with the Personal Care Attendant services option required by the *Barthelemy* settlement

Medicaid financing uses significant one-time money and creative financing including:

**\$111.2 million** Additional one-time Federal matching funds from the Federal Fiscal Relief Act

**\$196.8 million** Additional state match from use of the "175% DSH overpayment option". This option requires additional payments of some \$274.7 million, and it is available only for two years.

**\$163.6 million** Additional State General Fund over amounts in the Executive Budget made possible in part by using one-time flexible Federal grant funds in other areas of state spending.

### **LSU-Health Care Services Division (Charity Hospitals)**

Act 906 (SB 867) of the 2003 Regular Session frees LSU-HCSD from most Legislative oversight and gives it greater budget management flexibility, including the ability to collect from patients with incomes exceeding 200% of the Federal Poverty Level. State appropriations to HCSD include:

<b>\$ 32.5 million</b>	State General Fund for Prisoner Care
<b>\$ 1.7 million</b>	State General Fund for Disease Management administrative costs.
<b>\$ 2.8 million</b>	State General Fund for costs associated with pharmacy manufacturers “free drugs” program
<b>\$646.5 million</b>	Payments for Medicaid claims and indigent patient care, including \$35.6 million in State General Fund. <u>This is a 10.4% reduction from payments in FY 02-03.</u>

Because HCSD is now fully “off-budget,” the hospital-by-hospital distribution of the reductions for FY 03-04 will be determined by HCSD’s management and approved only by the LSU Board of Supervisors. Act 906 gives the hospital system authority to make cuts of up to 35% to any single hospital without specific legislative approval, provided it does not close any hospital or emergency room.

### **Office of Public Health**

<b>\$ 9.6 million</b>	ChildNet services are consolidated in OPH for FY 03-04.
<b>\$ 720,000</b>	Continued funding for condom distribution.
<b>\$ 300,000</b>	OPH mosquito control funds transferred to the LSU School of Veterinary Medicine for encephalitis testing.

### **Office of Mental Health**

<b>\$ 6.2 million</b>	Additional funds to continue all state mental hospitals and outpatient services during FY 03-04.
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### **Office for Citizens with Developmental Disabilities and Developmental Centers**

<b>\$ 9.2 million</b>	Additional funds to continue services for the developmentally disabled in Developmental Centers and in the community.
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### **Office of Addictive Disorders**

<b>\$ 1.7 million</b>	Restoration of funds from TANF to provide non-medical substance abuse treatment services for women with dependent children.
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<p style="text-align: center;"><b>SOCIAL SERVICES AND TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)</b></p>
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**Social Services**

<b>\$ 21.8 million</b>	Restoration of Child Care Assistance Program reduction proposed in Executive Budget (\$5 million SGF state match)
<b>\$ 21.7 million</b>	Additional Federal funding for the Child Care Assistance Program
<b>\$ 1.82 million</b>	Restoration of 63 Child Protection Investigator positions cut in the Executive Budget (\$855,895 SGF; \$970,790 Federal)
<b>\$ 2 million</b>	Federal Title IV-E funds to be transferred to the Department of Corrections for use in local juvenile courts
<b>\$ 10.5 million</b>	Federal award for the Office of Family Support for performance in child support enforcement

**Temporary Assistance To Needy Families (TANF)**

In FY 00-01, a large balance of unused TANF Federal block grant funds was identified. This prompted the expansion of existing TANF programs and the creation of new TANF programs. FY 03-04 represents the last year of spending down the large balance. Funding for FY 03-04 is \$117.8 million. It is projected that only \$22 million will be available for these initiatives in FY 04-05.

**Literacy Initiatives:**

<b>\$ 39 million</b>	Public Pre-K
<b>\$ 8.5 million</b>	Non-Public Pre-K
<b>\$ 4.5 million</b>	Pre-GED, Dropout Prevention
<b>\$ 9.5 million</b>	After-School Education/Enhancement Programs
<b>\$ 1.5 million</b>	Adult Literacy Initiatives
<b>\$ 2.4 million</b>	Truancy Program

**Employment Initiatives:**

<b>\$11.75 million</b>	Education and Training Services
<b>\$ 641,666</b>	Micro-Enterprise Development
<b>\$ 2 million</b>	Training Opportunities for Incarcerated Parents
<b>\$ 4.5 million</b>	Post-Release Skills Program

**Family Stability Initiatives:**

<b>\$ 6.5 million</b>	Teen Pregnancy Prevention Initiatives
<b>\$ 3.16 million</b>	Domestic Violence Initiatives
<b>\$ 500,000</b>	Family Strengthening Initiatives
<b>\$ 4.3 million</b>	Court Appointed Special Advocates (CASA)
<b>\$ 5 million</b>	Drug Court
<b>\$ 4.16 million</b>	Non-medical Substance Abuse (for women with minor children)
<b>\$ 1.75 million</b>	Early Childhood Intervention Program
<b>\$ 750,000</b>	Parenting Initiatives for low-income fathers
<b>\$ 1.5 million</b>	Abortion Alternative Services
<b>\$ 3 million</b>	Community Response Initiative

**Other:**

<b>\$ 1.6 million</b>	DOA oversight
<b>\$ 750,000</b>	Caseworker Training

## TRANSPORTATION

Transportation funding at the state level primarily is financed by taxes on gasoline and special fuels and vehicle licenses, both of which have been affected by the slow economy. As a result, total transportation spending is little changed for FY 03-04.

DOTD's operating budget is stable, but more must be spent on salary and related benefits, and less on operating services and new equipment. Other significant spending amounts include:

- |                        |  |
|------------------------|--|
| <b>\$ 1.1 million</b>  | Appropriated as pass-through funding for local public works authorities.   |
| <b>\$ 800,000</b>      | Appropriated from DOTD's Self-generated Revenue for paying a judgment against the department.  |
| <b>\$930.5 million</b> | DOTD will manage some \$930.5 million of capital projects through statewide priority programs and other capital outlay appropriations in FY 03-04. |

## MILITARY AFFAIRS AND VETERANS SERVICES

- |                          |  |
|--------------------------|--|
| <b>\$ 36.6 million</b>   | Domestic Preparedness grants from the Federal Office of Homeland Security  |
| <b>\$ 11.6 million</b>   | Federal Funds for Hazard Mitigation Projects related to Hurricane Lili and Tropical Storm Isidore  |
| <b>\$ 17.8 million</b>   | State and Federal funding for the Youth Challenge Program at Carville, Beauregard and Minden, including \$3 million in Federal Funds in Capital Outlay for expansion of the program to Camp Minden |
| <b>\$ 38.4 million</b>   | Capital Outlay funding of Military Department projects, including construction, renovations, and homeland security enhancements.   |
| <b>\$ 5.4 million</b>    | Start-up costs of the Southwest Louisiana War Veteran's Home in Jefferson Davis Parish.  |
| <b>\$ \$21.2 million</b> | Capital Outlay funding for a new War Veteran's Cemetery in Bossier Parish and two new homes in St. John the Baptist and Bossier Parishes.  |



<b>PUBLIC SAFETY AND CORRECTIONS</b>
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**Corrections**

- \$ 4.5 million** TANF from the Department of Social Services for aftercare programs to assist in the reintegration of offenders into the community.
- In the Office of Youth Development, \$2.4 million in funding was transferred from secure beds to Contract Services to allow for the continuation of existing residential, group home, and shelter care programs for which contracts must be renewed this year. This will involve the closure of 238 secure beds and continue the reduction in the number of youth held in secure facilities, which has declined from 1,474 in June 2001, to 1,131 in March 2003.
  - The rate of growth in the adult inmate population has slowed and no additional funds were appropriated for FY 03-04 for increased beds in state correctional facilities or for state prisoners in local jails. Total state inmate population is about 35,700 of which 17,000 are housed in local jails.

**Public Safety**

- \$ 7.1 million** State and Federal Funds for the DNA database
- \$ 12 million** Federal Funds to the Highway Safety Commission for Hazard Mitigation Projects

<b>ECONOMIC DEVELOPMENT</b>
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- \$ 4.3 million** Louisiana Technology Park
- \$ 3.5 million** Northrop Grumman/Avondale
- \$ 800,000** Louisiana Gene Therapy Consortium
- \$ 500,000** National Center for Security Research and Training
- \$ 293,000** Wet lab expenses

**State General Fund for the following events:**

- \$ 1.1 million** Sugar Bowl
- \$ 500,000** NCAA Women's Final Four Championship

\$ 375,000 Independence Bowl

\$ 350,000 New Orleans Bowl

**Capital Outlay funding for the following:**

\$ 18 million Wet labs

\$ 18 million Acadiana Immersion Technology Center

\$16.45 million Louisiana Gene Therapy Research Consortium

\$ 4.7 million EDAP (Opportunity Fund)

<b>TOURISM AND CULTURAL DEVELOPMENT</b>
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\$ 1.9 million Louisiana Library Connection

\$ 1.5 million State Aid to local libraries

\$ 1.6 million Enhancements to state parks, historic sites, and welcome centers

\$ 1.3 million Restoration of state park operational funding proposed for elimination in the Executive Budget

\$ 1 million Louisiana Purchase Bicentennial celebration

\$ 5.8 million Funding for Arts Program (\$4.7 million in State General Fund)

\$ 2.5 million Capital outlay funding for welcome centers

\$ 46 million Capital outlay funding for museums (Culture, Recreation and Tourism and Secretary of State)

\$ 112 million Capital outlay funding for state parks and historic sites

<b>AGRICULTURE AND FORESTRY</b>
---------------------------------

<b>\$ 22 million</b>	Boll Weevil Eradication Program
<b>\$ 10.4 million</b>	Restoration of funding and 66 positions proposed for elimination in Executive Budget (\$4.5 million in State General Fund)

<b>GENERAL GOVERNMENT</b>
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**Executive Department**

<b>\$ 8.5 million</b>	TANF funding for Private Pre-K Initiatives, including increases of \$2 million
<b>\$ 1 million</b>	City of New Orleans for public safety, health, and transportation services associated with the land-based casino

**Elections**

<b>\$ 2.2 million</b>	Increase in funding for additional election costs
<b>\$ 25 million</b>	Federal funding for election reform costs from the Help America Vote Act

**Natural Resources**

<b>\$ 315,103</b>	Funding for the Ground Water Resources Commission
<b>\$ 14.6 million</b>	Capital outlay funding for Atchafalaya Basin projects

**Environmental Quality**

<b>\$ 5 million</b>	Additional state funding to maintain operations of the department
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**Wildlife and Fisheries**

<b>\$ 2.6 million</b>	Funding for Enforcement Agent pay raises
<b>\$ 13 million</b>	Federal funding for disaster assistance and non-game species projects
<b>\$ 10.3 million</b>	Capital outlay funding for wildlife land acquisition
<b>\$ 4.7 million</b>	Capital outlay funding for a marine fisheries investigations and management laboratory



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## TALKING POINTS ON 2003 BUDGET ACTIONS

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### BUDGET SUMMARY

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#### **Proposed Executive Budget for FY 03-04**

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In addition, required costs for the MFP, debt service, prisoner health care, and other mandated expenditures had to be provided. And some required costs, such as increased retirement payments based on rates adopted by the Actuarial Committee, were not funded. No funding was allocated for road and bridge hazard judgments against the state.

Even with limited revenue growth, the Governor's proposed budget included a number of enhancements to support his initiatives in higher education, K-12 accountability programs, and economic development. Funding of these enhancements and mandated costs were accomplished by making reductions in other areas, primarily in health and hospitals.

Much of the Executive Budget proposal for health care was based on a major restructuring to shift from institutional care and services to community-based care and the start-up of an insurance program for the employed uninsured under a Federal waiver. The proposed budget would have required 30% rate reductions to some private providers, closure of several state facilities and involuntary discharge of a number of disabled and mentally ill clients into an as yet underdeveloped community care system. Both DHH and the administration admitted in presenting the Executive Budget that implementation of such an ambitious transition in a limited timeframe was not feasible.

The proposed budget was also dependent on a number of uncertain and one-time revenue sources, including:

- \$70 million from use of Medicaid Trust Fund for the Elderly capital gains and principal which would have required the sell-off of most securities in the trust fund.
- \$74 million from possible Federal aid to the states which was highly speculative at that time.
- \$200 million in revenue to be generated by consultants from unidentified Federal sources related to health care.

## **Legislative Session Budget Actions**

The Legislature's budget actions during the session focused on restoring adequate funding for Medicaid and state health care facilities, while maintaining important initiatives in higher education and K-12 education and avoiding a raid of the Medicaid Trust Fund for the Elderly.

### **Budget Deliberations prior to Federal Fiscal Relief**

In initial budget deliberations by the House Appropriations Committee, a plan was devised to restore a substantial portion of health care reductions and other needs. This was accomplished by reducing or eliminating several of the Governor's proposed enhancements, primarily in higher education and economic development. In addition, the plan identified savings in a number of state agencies, used a \$29 million premium from the Spring 2003 bond sale for debt service payments, reduced funding of the Urban and Rural Development programs by 50%, and proposed a larger one-time debt defeasance. These reductions of about \$175 million, along with a small \$22 million revenue increase, would have financed restoration of a large portion of the Executive Budget reduction in health care. Medicaid provider rate reductions would have been limited to about 5%, rather than the 30% proposed in the Executive Budget, and no state facilities would be closed. Funding was also provided for required retirement contributions by state agencies, payment of judgments, and restoration in a number of areas, including agriculture, elections and child care assistance.

### **Budget Actions after Federal Fiscal Relief**

With Congressional passage of temporary Federal Fiscal Relief for states (signed into law on May 28), the immediate necessity for cuts in other areas to finance health care restorations and to severely restrict health care spending was largely eliminated. The Legislature was able to restore funding to health care and other areas of need while still maintaining most of the Governor's proposed enhancements in education. The final plan adopted by the Legislature still included identified savings in various state programs and use of the \$29 million bond premium for debt service, as well as a three-year debt defeasance plan.

Federal Fiscal Relief for the states came in the form of:

- 1) Enhanced Federal Medicaid match rate of 2.95% for the period April 1, 2003 through June 30, 2004. This enhanced match rate does not apply to Uncompensated Care payments or the LaCHIP spending. Louisiana will receive a total \$137 million in increased payments in the last quarter of FY 02-03 and all of FY 03-04.
- 2) Flexible grants which must be spent for essential state services or for state costs of complying with federal government mandates for which Federal Funds have not been provided. Grant funding is available to states in two payments: one-half upon certification by the state that funds will be used for allowable purposes and one-half on October 1, 2003. Louisiana's share is \$152 million.

A small amount of Federal Fiscal Relief funds were budgeted in FY 02-03 through the Supplemental Appropriation Act, but most was applied to funding the FY 03-04 budget.

Use of Federal Fiscal Relief Funding			
	FY 02-03	FY 03-04	TOTAL
Enhanced Medicaid Match Rate	25.9 million	111.2 million	137.1 million
Flexible Grants	9.4 million	142.6 million	152.0 million
Total	35.3 million	253.8 million	289.1 million

In FY 02-03, \$25.9 million from the enhanced Medicaid match rate was used for restoration of Executive Order cuts to cost report payments and outlier payments (primarily for hospitals providing neonatal and children's services) and \$14.4 million and \$3.3 million, respectively, was used to repay charity hospitals and the LSU Shreveport hospital for matching costs each had previously contributed from their reserves. Flexible grant funding of \$9.4 million was used replace State General Fund which helped to fund a \$95 million three-year debt defeasance plan.

The \$253.8 million in Federal Fiscal Relief funds helped to avoid substantial budget reductions in most areas for FY 03-04; however, these are one-time funds which will require offsetting budget reductions or a replacement source of revenue in the future.

In the budget as finally adopted, Medicaid and other health care funding was restored for the most part to spending levels projected by DHH; however, substantial reductions remained for the LSU HCSD charity hospitals and the LSU Health Science Center Shreveport hospital (see Health and Hospitals Section for more detail on these reductions). Funding was provided for payment of required retirement contributions by state agencies and for payment of numerous judgments against the state. Among the areas for which funding restorations were provided were the Department of Agriculture and Forestry, elections, the child care assistance program, the Attorney General's Office, and state parks.

#### Debt Defeasance Plan

The final budget plan adopted by the Legislature included a three-year debt defeasance plan. The \$95.4 million cost of the plan was financed by \$66.4 million from the Mineral Audit Settlement Fund, \$13.5 million in nonrecurring revenue from FY 01-02, \$6.1 million in nonrecurring revenue from FY 02-03, and \$9.4 million in State General Fund available as a result of a means of financing swap with Federal Fiscal Relief funds.

The defeasance plan results in debt service savings of \$46.4 million in FY 03-04, \$30 million in FY 04-05, and \$21 million in FY 05-06, for a total debt service reduction of \$97.4 million. The three-year defeasance was designed to mitigate to some extent the impact of one-time funding used in the FY 03-04 budget.

#### Use of One-time Revenue in the Budget

The FY 03-04 budget as finally adopted makes use of approximately \$309 million in one-time sources of funding that will not be available for FY 04-05 budget planning. In addition to the \$254 million in Federal Fiscal Relief funds, \$29 million from a premium on the spring bond sale and a portion of defeasance savings is one-time.

In addition, almost all of the large TANF block grant balance, which has been used for the past three years for various initiatives, will be spent by the end of FY 03-04. Although these programs (totaling \$117 million in FY 03-04) were clearly identified as temporary efforts financed by spending down the TANF balance, there may be an effort to continue some of these initiatives, such as the LA 4 (Pre-K) Program.

The FY 03-04 budget also includes \$196 million from a federal Medicaid option that allows public hospital payments equal to 175% of the costs of hospital care for indigents. DHH will make these allowed payments to state hospitals, but it will recover the 75% overpayment amount and use it as part of the state's Medicaid match cost. Federal rules make this financing mechanism available for only two years, FY 03-04 and FY 04-05.

The total of one-time funding (\$309 million) and funding associated with the two-year "175%" Medicaid financing option (\$196 million) in the FY 03-04 budget is about \$515 million. Assuming that the \$309 million in one-time funds is offset in some way in the FY 04-05 budget, the state will still have to address the additional loss of \$196 million in the following FY 05-06.

#### **FY 03-04 State General Fund Revenues**

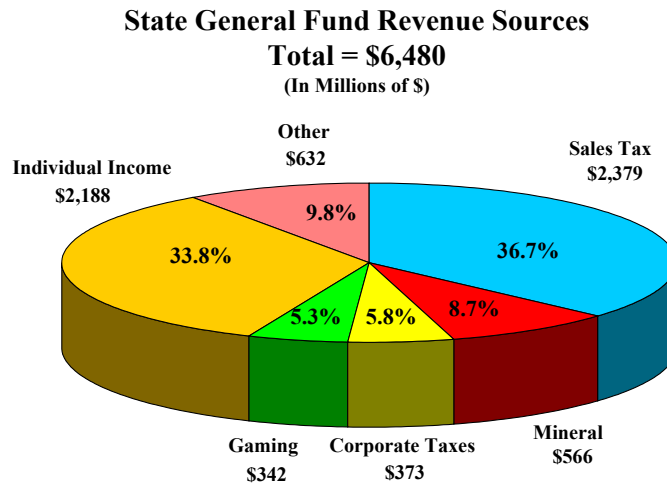
In January 2003, the Revenue Estimating Conference set the recurring State General Fund estimate for FY 03-04 to be used in the Executive Budget at \$6.457 billion, an increase of only \$62.1 million when compared with the FY 02-03 State General Fund estimate adopted at that meeting. The conference met again on May 16, 2003, but it increased the FY 03-04 estimate only by \$22 million, to a total of \$6.48 billion.

Although tax collections were relatively weak during the first several months of FY 02-03, higher oil and gas prices and unexpectedly high sales taxes served to limit reduction in revenues from levels predicted in the spring of 2002. However, given the sluggish collections in individual income taxes and very mixed data regarding a national economic recovery, the Revenue Estimating Conference took a relatively conservative outlook in its projections for FY 03-04.

For FY 03-04, sales and use taxes, the largest source of State General Fund revenue, will decline by 5.8% because food for home consumption and residential utilities are removed from the tax base due to the Stelly Plan. This is more than offset by 14.5% higher individual income tax projections, also resulting from the Stelly Plan. Lower estimates for oil and gas revenues and almost flat corporate tax collections also act as a drag on overall collections. Gaming revenue also declines slightly. However, because much of

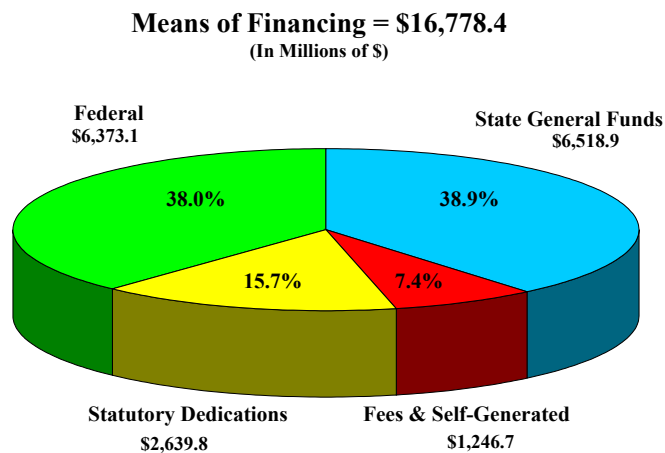


this revenue is dedicated, it does not impact State General Fund projections very much. The pie chart below shows the major sources of SGF revenue.



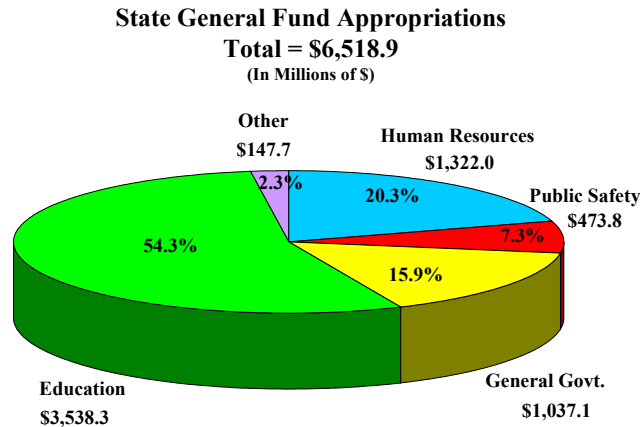
### **FY 03-04 Means of Financing**

The total state budget from all Means of Financing for FY 03-04 is \$16.8 billion of which \$6.519 billion is from the State General Fund. The SGF amount exceeds the official recurring revenue forecast of \$6.479 billion due to inclusion of \$4.2 million in nonrecurring funds for capital outlay, \$29 million from a bond sale premium payment, and \$6 million in net revenue gain from fund transfers and other legislation. \$1.2 billion is appropriated from Fees and Self-Generated Revenues, \$2.6 billion from Statutory Dedications, and \$6.4 billion from Federal Funds.



## FY 03-04 Appropriations

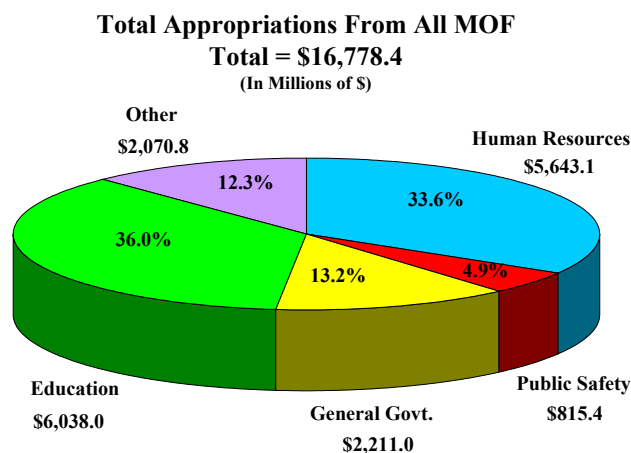
The following pie chart displays State General Fund appropriations of \$6.5 billion for FY 03-04 by major functional areas of state government spending.



*Note: Other includes Economic Development, Culture, Labor, Environment, Natural Resources, Wildlife and Fisheries, Agriculture, DOTD, and Capital Outlay*

Of the amount for education, \$2.2 billion is for the Minimum Foundation Program (\$107.3 million more in MFP funding comes from Lottery funds, \$96.8 million from the SELF Fund, and \$142.6 million financed by Federal Fiscal Relief Act) and \$1.0 billion is for Higher Education. Human Resources funding includes \$741 million in State General Fund as state match for the Medicaid Program which makes up 59% of the total \$1.25 billion Medicaid match requirement.

The distribution among functional areas of state government changes when all Means of Financing are included. This is primarily due to inclusion of Medicaid and other Federal Funding in Human Resources, Transportation Trust Fund for Capital Outlay in the Other category, and Self-Generated Revenue from tuition and Federal funding in Education. Total appropriations of \$16.8 billion are distributed as follows:



*Note: Other includes Economic Development, Culture, Labor, Environment, Natural Resources, Wildlife and Fisheries, Agriculture, DOTD, and Capital Outlay*

## Budget Growth

The total state budget from all Means of Financing increased from \$16.5 billion in FY 02-03 (existing operating budget as of 12/02/02) to \$16.8 billion for FY 03-04, an increase of 245 million or 1.48%. The increase is largely due to an increase in Federal funds of \$316 million.

	FY 02-03 Budgeted As of 12/02/02	FY 03-04 Appropriated	Difference	Percent Change
<b>STATE FUNDS</b>				
State General Fund (Direct)	\$6,648.5	6,518.9	(\$129.6)	(1.95%)
Fees & Self-gen. Revenues	\$1,115.8	1,246.7	\$130.9	11.73%
Statutory Dedications	\$2,709.1	\$2,639.8	(\$69.3)	(2.56%)
I.E.B. Appropriations	<u>\$3.1</u>	<u>0</u>	<u>(\$3.1)</u>	<u>(100.00%)</u>
Total State Funds	\$10,476.5	\$10,405.3	(\$71.1)	(.68)
<b>FEDERAL FUNDS</b>				
	<u>\$6,057.0</u>	<u>\$6,373.1</u>	<u>\$316.1</u>	<u>5.22%</u>
<b>TOTAL STATE &amp; FEDERAL</b>	<u>\$16,533.4</u>	<u>\$16,778.4</u>	<u>\$245.0</u>	<u>1.48%</u>
Positions	47,531	47,177	(354)	(0.75%)

State General Fund spending decreased from \$6.648 billion in the FY 01-02 existing operating budget (as of 12/02/02) to \$6.519 billion for FY 03-04. This is a decrease of \$129.6 million or 1.95%. This is primarily due to a decrease of about \$128 million in the amount of nonrecurring revenues from prior years budgeted for capital outlay spending.

## State Debt and Debt Service

**Constitutional Debt Limit.** FY 03-04 is the ten-year anniversary of the Constitutional Debt Limit. In FY 03-04 and thereafter, debt service on Net State Tax Supported Debt (NSTSD) shall not exceed 6% of total tax, license and fee revenue projected by the Revenue Estimating Conference. After ten years of actions to reduce outstanding debt, the state is safely within this limit. State Bond Commission data shows that for outstanding bonds, this ratio will be 5.1% in FY 03-04. Even with bond sales of \$400 million per year, the state can stay under this 6% limit for the indefinite future, based on long range revenue projections.

**Total Outstanding Debt.** Total principal and interest on NSTSD have fallen from \$6.5 billion in 1993 to \$4.324 billion as of July 2003, including the effects of the three-year \$97.2 million defeasance resulting from 2003 session actions. This reduction reflects two efforts: (1) consistent efforts to limit capital projects financed with new bond sales, and (2) several advance payoffs of bonds, including the unemployment debt of \$830 million (1993), the Louisiana Recovery District (1996), and several smaller defeasance plans.

Of the \$4.324 billion principal and interest outstanding, \$2.85 billion is for General Obligation Bonds or their equivalent. The remainder is composed as follows:

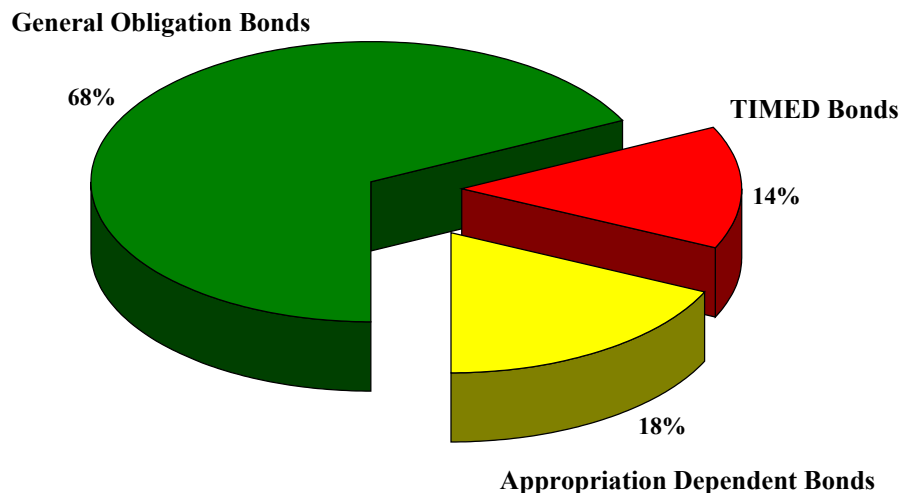
Transportation Revenue Bonds - \$585 million; Appropriation dependent debt – \$762 million; Other Self-supporting debt - \$ 132 million.

**Defeasance of Bonds:** Session actions provided \$95.4 million for advance payment of General Obligation Bonds at the end of FY 02-03. These payments will reduce overall debt service by \$46.4 million in FY 03-04, \$30 million in FY 04-05, and \$20.8 million in FY 05-06, or a total reduction in future principal and interest of \$97.2 million.

**Debt Service Cost:** Debt service increased after FY 99-00 as the savings from prior debt defeasance plans phased out. Debt service on existing NSTSD debt in FY 03-04 is \$372.1 million (including savings from the defeasance described above), of which some \$265.7 million is for outstanding General Obligation debt or its equivalent. Total debt service is down somewhat from FY 02-03, when NSTSD debt service was 390.3 million, and General Obligation debt service was \$306.6 million.

**Bond Sales.** General Obligation Bond sales in FY 02-03 were \$290,790,000. Other bond sales were \$275,000,000 in Transportation Revenue Bonds for the TIMED program, and \$159,775,000 of appropriation dependent debt for various state agency facilities. Although the 2003 Capital Outlay Act allows the state to Issue General Obligation Bonds up to a principal amount of \$638,975,000 for FY 03-04, the budget plan anticipates General Obligation Bond sales of not more than \$300 million next year.

### Sources of Outstanding Debt



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## CAPITAL OUTLAY

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Act xxx (HB 2), the Capital Outlay Act for FY 03-04, contained appropriations from all Means of Financing of \$3,862,363,718. The bill also limits the total amount of General Obligation Bonds that may be issued to \$638,975,000 (\$371,875,000 carried forward from FY 02-03, and \$267,100,000 for FY 03-04).

The following table provides the itemization of the Act by all Means of Financing:

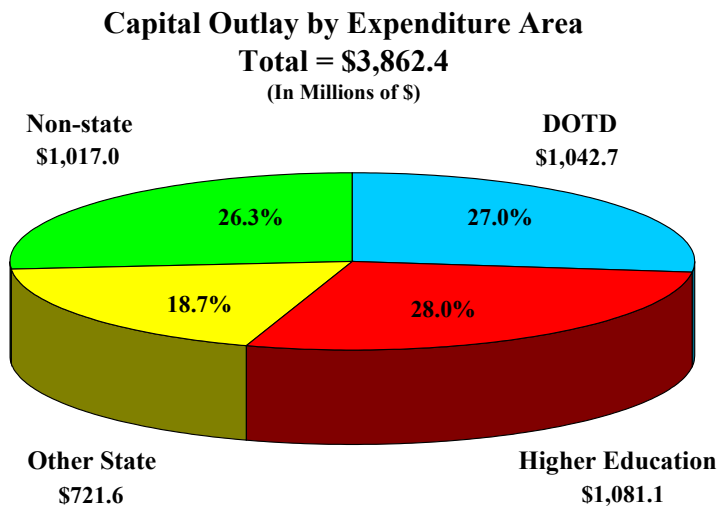
MEANS OF FINANCING	
State General Fund - Nonrecurring Revenue	\$ 4,200,000
State General Fund – Direct	\$ 20,360,080
Federal Cash	\$ 87,860,815
Federal Cash – TTF	\$ 450,000,000
Transportation Trust Fund	\$ 154,817,000
TIMED Cash	\$ 80,000,000
Other Statutory Dedications	\$ 12,180,000
Fees and Self-generated Revenues	\$ 92,499,730
Reappropriated Cash	\$ 2,312,192
Interagency Transfers	\$ 16,000,000
Revenue Bonds	\$ 348,904,900
<b>Total Cash and Revenue Bonds</b>	<b>\$ 1,269,134,717</b>
General Obligation Bonds	
Priority 1	\$ 556,155,000
Priority 2	\$ 428,703,450
Priority 3	\$ 196,052,363
Priority 4	\$ 246,054,770
Priority 5	\$ 1,163,248,520
<b>Total General Obligation Bonds</b>	<b>\$ 2,590,214,103</b>
NRP/RBP	\$ 3,014,898
<b>GRAND TOTAL</b>	<b>\$ 3,862,363,718</b>
NRP is the allocation of previously sold bond proceeds. RBP is the appropriation of prepayments of reimbursement contracts.	

### Capital Outlay Appropriations by Expenditure Category

<b>DOTD</b>	<b>\$1,042,661,960</b>	<b>27.0%</b>
<b>Higher Education</b>	<b>\$1,081,053,410</b>	<b>28.0%</b>
<b>Other State</b>	<b>\$ 721,652,125</b>	<b>18.7%</b>
<b>Non-state</b>	<b><u>\$1,016,996,223</u></b>	<b><u>26.3%</u></b>
	<b><u>\$3,862,363,718</u></b>	<b><u>100%</u></b>

*“Higher Education” does not include Louisiana Health Sciences Center – Health Care Services Division which is shown in “Other State”.*

*“Non-state” includes ports, levee districts, parishes, municipalities, and other non-state entities.*



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## LEGISLATION OF FISCAL INTEREST

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- **DNA Testing**

Act 64, HB 1875

The House of Representatives provided \$650,000 to the office of state police, out of funds previously appropriated to the House, to be used for eliminating the backlog of DNA analysis of rape test kits and no-suspect forensic cases.

Act 487, SB 346

Provides that any person who is arrested for a felony or is convicted or pleads guilty to a felony on or after September 1, 1999 shall have a DNA sample drawn. The provision also applies to juveniles for a felony-grade delinquent act. A person convicted or who has plead guilty to a felony before September 1, 1999 who is still serving a term of confinement in connection with such felony shall also have a DNA sample drawn. Provides that a DNA sample be drawn from the body of any person who dies as a result of being a victim of a crime of violence.

- **Gaming**

Act 352, SB 828

Authorizes the conduct of slot machine gaming at an eligible live horse racing facility in Orleans Parish (the Fairgrounds). Such gaming can be conducted only after the Casino operating contract with Harrah's is amended to provide that such slot machine gaming does not constitute an exclusivity violation. The number of slot machines at such facility shall not exceed:

1. 300 slot machines for the period July 1, 2003 through June 30, 2004.
2. 400 slot machines for the period July 1, 2004 through June 30, 2005.
3. 500 slot machines on or after July 1, 2005 except this number may be increased to 700 slot machines if Harrah's has gross gaming revenues of \$350 million or more for any preceding 12-month period.

*Note: See "Special Treasury Funds" for discussion of dedication from this source.*

- **Economic Development**

Act 1240, HB 892

Relative to the Quality Jobs Programs, adds to the definition of new direct jobs those employees on the employer's payroll in other states who are transferred to Louisiana. Relative to motion picture investment tax credits, changes the base investment criteria after January 1, 2004, to a 10% credit for investments of between \$300,000 and \$8 million and a 15% credit for investments over \$8 million. Provides that these tax credits may be transferred to another Louisiana taxpayer.

Act 550, SB 888

Creates the Louisiana Major Projects Development Authority as a statewide political subdivision. The secretary of the Department of Economic Development is the executive director of the authority. The board of directors of the authority are the governor, treasurer, executive director of the authority, speaker of the House, president of the Senate, the chairmen of the House Appropriations and Ways and Means Committees and Senate Finance and Revenue and Fiscal Affairs Committees, and the commissioner of administration. The authority is to act on behalf of the state to secure the location within the state of major economic impact projects.

- **Local Taxes**

**Sales and Use Taxes**

Act 46, HB 1750

Provides that a sale of cellular telephone, PCS telephone, or other wireless personal communication device and electronic devices that interact with such telephones, by a dealer to a purchaser in connection with the sale or use of mobile telecommunications services is a retail sale. The sales price is the greater of the amount of money actually received by the dealer or 25% of cost.

Act 73, SB 551

Enacts the Uniform Local Sales Tax Code, which designates the laws applicable to local sales and use taxes and provides for the administration of such taxes in conformity with the code.

**Ad Valorem Tax**

Act \_\_, HB 425 (Constitutional Amendment)

Exempts drilling rigs used exclusively for the exploration and development of minerals in outer continental shelf waters when such rigs are in Louisiana for storage, conversion, renovation, or repair. Effective in any parish where the voters have approved the exemption.

- **Coastal Restoration**

Act \_\_, SB 214 (Constitutional Amendment)

Act 1195, SB 568 (Statutory Companion)

Authorizes monies designated by the Revenue Estimating Conference as nonrecurring to be allocated or appropriated for deposit in the Wetlands Conservation and Restoration Fund (Wetlands Fund). Changes the cap on mineral revenues in the fund from \$40 million to an amount provided by law but not less than \$500 million. Provides that \$35 million annually of monies in the Mineral Revenue Audit and Settlement Fund (Settlement Fund) be deposited in the Wetlands Fund and adds appropriation of monies in the Settlement Fund to the Wetlands Fund as an allowable use of monies in the Settlement Fund.



Act \_\_\_\_, SB 213 (Constitutional Amendment)

Act 1192, SB 504 (Statutory Companion)

Establishes the Louisiana Coastal Restoration Fund in the state treasury. Provides that if the state securitizes all or a portion of the remaining 40% of revenues received from the Master Tobacco Settlement Agreement and deposited in the Millennium Trust Fund, the treasurer shall transfer up to 20% in the aggregate of the revenues received as a result of such securitization from the Millennium Trust Fund into the Coastal Restoration Fund.

The transfer shall be subject to the following criteria:

4. The treasurer has written certification that a valid federal appropriation for coastal restoration exists from which Louisiana is entitled to receive funds.
5. The transfer shall be only in the amount necessary to match the Federal Funds, not to exceed the 20% limitation.
6. The transfers from the Millennium Trust Fund shall be borne equally by the Health Excellence, Education Excellence and TOPS Funds.

Monies in the fund shall be used solely to reduce coastal erosion and to restore areas affected by coastal erosion.

Act \_\_\_\_, HB 424 (Constitutional Amendment)

Authorizes the legislature to place limitations on the extent of recovery for the taking of, or loss or damage to, property rights affected by coastal wetlands conservation, management, preservation, enhancement, creation, or restoration activities.

- **Tobacco Securitization**

Act 1136, HB 1819

Act 1210, SB 1025

Authorizes the securitization (sale) of the remaining 40% of revenues to be received by the state pursuant to the Master Settlement Agreement. The securitization can be made in whole or in part and must be approved by the State Bond Commission, Joint Legislative Committee on the Budget, and by the legislature, either in session or by mail ballot. All proceeds of any such securitization shall be deposited in the Millennium Trust Fund except for an amount determined by the state treasurer and commissioner of administration to be deposited in the Louisiana Fund to provide sufficient monies to fund the appropriations from that fund for that fiscal year.

- **Special Treasury Funds**

Lottery Proceeds Fund

Act \_\_\_\_, HB 583 (Constitutional Amendment)

Except for \$500,000 annually to be appropriated to the Compulsive and Problem Gaming Fund, provides that all lottery proceeds deposited in the Lottery Proceeds Fund be appropriated to support the Minimum Foundation Program (MFP) thus putting longstanding practice in the constitution.

### Slots at the Track Revenue

#### Act 352, SB 828

Authorizes the conduct of slot machine gaming at the eligible live horse racing facility in Orleans Parish. Establishes the Orleans Parish Excellence Fund in the state treasury. This fund will receive 5% of the state tax proceeds derived from the conduct of slot machine gaming at the Orleans track. Monies in the fund are to be used to fund the construction and operation of an allied health and nursing program in Orleans Parish. Also provides for additional dedications from the state tax levied on the conduct of slot machine gaming at all tracks of \$50,000 annually for the Southern University Urban Tourism and Marketing Program and \$50,000 annually to the Orleans Parish District Attorneys Office.

#### Act 1009, HB 88

Changes the dedication of 5% of state tax revenues derived from the conduct of slot machine gaming at the eligible live horse racing track in Bossier Parish to fund the Bossier Parish Truancy Program Fund. Monies in this fund are to be used to support the truancy program run by the district attorney for the 26<sup>th</sup> Judicial District.

Also establishes the following new dedications to be paid out of the state tax revenues derived from the conduct of slot machine gaming at eligible live horse racing tracks:

1. \$750,000 annually to the Equine Health Studies Program Fund to be used to support the Equine Health Studies Program at the LSU School of Veterinary Medicine.
2. \$500,000 annually to the Blind and Visually Impaired Fund to be appropriated to the Lighthouse for the Blind in New Orleans, Inc.
3. \$200,000 annually to the Beautification and Improvement of the New Orleans City Park Fund to be used to support the improvement and beautification of New Orleans City Park.
4. \$750,000 annually to the Southern University AgCenter Program Fund to be used to support programs at the Southern University AgCenter.

#### Act 1258, HB 1776

Changes the dedication of monies in the St. Landry Parish Excellence Fund which is to receive 5% of the state tax revenues derived from the conduct of slot machine gaming at the eligible live horse racing track in St. Landry Parish. The monies in the fund will be used by the St. Landry Parish School Board for elementary and secondary education, the construction and operation of a Career and Technology Center in the parish, and/or the enhancement and expansion of existing vocational and technical programs and curricula.

Act 1280, HB 1304

Changes the dedication of 5% of the state tax revenues derived from the conduct of slot machine gaming at the eligible live horse racing track to the Calcasieu Parish Fund. Monies in the fund are to be appropriated 60% to the Calcasieu Parish School Board, 30% to McNeese State University, and 10% to Sowela Technical Institute.

- **Public Contracts**

Act 224, SB 591

Provides that any cooperative endeavor agreement or other agreement expending, directly or indirectly, any state funds used as security for bonds, notes, certificates or other obligations for the repayment of borrowed money, whether taxable or tax-exempt, shall be subject to State Bond Commission approval.

Act \_\_\_, SB 556

Provides for the establishment of a subcommittee of the Joint Legislative Committee on the Budget to review and approve certain cooperative endeavor agreements. The committee or the subcommittee shall review and approve any cooperative endeavor agreements with a fiscal impact of over \$1 million prior to the execution of any such agreement. Cooperative endeavor agreements involving a project in the capital outlay budget or involving funds derived from the U.S. Army Corps of Engineers or Louisiana State National Guard are exempt from this requirement.

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## LEGISLATION WITH SIGNIFICANT REVENUE IMPACT

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Explanation	SGF Impact For Fiscal Year (In Millions)				
	03/04	04/05	05/06	06/07	07/08
<b>Sales Tax</b>					
Extends termination date for the exclusion for approved private and parochial schools for certain purchases to June 30, 2005 (Act 141, HB 1621)	\$ .57	\$ .57	--	--	--
<b>Tobacco Settlement</b>					
Establishes a formula for determining the amount of investment earnings available for appropriation from the Millennium Trust (Act 11, HB 1887)	\$31.5	\$31.5	\$31.5	\$31.5	\$31.5
<b>Investments</b>					
Authorizes the treasurer to expand the Securities Lending Program by reinvesting cash collateral (Act ___, SB 1099)	\$ .75	\$ .75	\$ .75	\$ .75	\$ .75

## K-12 EDUCATION

LOUISIANA DEPARTMENT OF EDUCATION			
MEANS OF FINANCING	Budget as of Dec 2002	FY 03-04 HB 1 Enrolled/Vetos	Change from FY 03 to FY 04
State General Fund	\$2,438,754,879	\$2,509,518,416	\$70,763,537
Interagency Transfers	\$121,384,985	\$129,536,890	\$8,151,905
Fees and Self-generated	\$3,170,351	\$3,735,925	\$565,574
Statutory Dedications	\$256,144,949	\$222,455,752	(\$33,689,197)
Federal Funds	\$804,269,611	\$804,321,472	\$51,861
<b>TOTAL MOF</b>	<b>\$3,623,724,775</b>	<b>\$3,669,568,455</b>	<b>\$45,843,680</b>
<b>AUTHORIZED POSITIONS</b>	<b>1,037</b>	<b>1,019</b>	<b>(18)</b>

The FY 03-04 Louisiana Department of Education budget grew by \$46 million over the FY 02-03 budgeted amount. HB 1 Enrolled with Gubernatorial vetoes reflects a \$71 million increase in State General Funds (as shown in the above table) that was reversed when the administration recommended a Means of Finance Swap using \$142 million Federal Temporary State Fiscal Relief Funds for the Minimum Foundation Program. This MOF Swap reduced State General Funds in the DOE by \$142 million and increased Federal Funds by that amount. Statutory Dedications decreased primarily due to the non-recurring of Deficit Elimination funds that had been appropriated for Office of Group Benefits premiums for school boards (\$32 million).

- **\$2.523 billion is appropriated for the Minimum Foundation Program (MFP), an increase of \$56.5 million.**

The FY 03-04 MFP appropriation represents a \$56.5 million increase in state funds over the final cost of the FY 02-03 MFP. HCR 235 of 2003, the new MFP resolution adopted by BESE and approved by the Legislature in the 2003 Regular Session, requires 50% of the increase in state funds (after adjusting for new students) to be used only to supplement and enhance full-time certificated staff salaries and retirement benefits. The Department of Education projects \$22 million to be available for the certificated pay increase and that seventeen school districts will not have increases in state funds. The October 1, 2003 student enrollment is expected to fall to 698,951 students, a decrease from the prior year student count of 708,238. The actual cost of the MFP, as well as the amount available for certificated pay raises and the overall growth, will not be known until the MFP Budget Letter is finalized in February 2004.

Significant changes in the FY 03-04 MFP include the following:

- Increases the Base Per Pupil Amount from \$3,276 to \$3,366.
- The public school component of the \$20 million Support Worker Pay Raise has been incorporated into the MFP in Level 3 on a per pupil basis, which means that if a school system loses students, then the school system will lose Support Worker Pay Raise funds. The pay raise amount of \$476 per full-time equivalent support worker employee is equal to the FY 02-03 amount.
- An enhancement to the Foreign Language Associates Program, also in Level 3, will provide an increase in the number of Foreign Associate Teachers from 250 to 300 and increase the cost of the program by \$1.7 million.
- Accountability has been incorporated with reporting by poorly performing schools; incentives for school districts to accept students attending out-of-district poorly performing schools; and penalties which deny MFP funding for poorly performing schools which have not met their required minimum growth and do not have a BESE-approved Reconstitution Plan.
- Deletes the maximum amount a Hold-Harmless school system could receive in the event of an enrollment increase by instead using the prior year hold-harmless amount.
- Adds the new Baker and Zachary School Systems, increasing the number of school systems from 66 to 68.

- **\$103.8 million is appropriated for TOPS awards.**

The FY 03-04 budget for the Tuition Opportunity Program for Students (TOPS) is \$103.8 million for approximately 38,255 awards and is funded with \$87 million in State General Fund and \$16.6 million from the TOPS Fund, a Statutory Dedication of Tobacco Settlement revenues. The appropriation for TOPS awards is a “more or less estimated” appropriation and includes an increase for a 1.5% tuition hike for TOPS awards. Excluding future tuition hikes, the cost of the TOPS Program should remain steady.

TOPS FUNDING HISTORY		
YEAR	AWARDS	COST
FY 98-99	23,551	\$54.0 million
FY 99-00	29,086	\$67.3 million
FY 00-01	35,595	\$89.8 million
FY 01-02	40,476	\$102.8 million
FY 02-03	38,904	\$102.1 million
FY 03-04 (appropriated)	38,255	\$103.8 million

Significant changes approved in the 2003 Regular Session include the following:

- Students who meet TOPS eligibility but enroll in out-of-state institutions and meet TOPS continuation requirements, may subsequently use the TOPS award for a reduced number of semesters.
  - Extends the time for military personnel to declare Louisiana their state of legal residence from 60 days to 180 days after reporting for duty.
  - Starting with the class of 2008, the core curriculum requirements for Opportunity, Performance and Honors Awards will increase the computer requirement to 1½ units.
  - Permits high school students completing at least ten honors courses and having a minimum cumulative grade point average of 3.0 (calculated on a 4.0 or greater scale) to qualify for TOPS Performance Awards if they have at least a 24 on the ACT.
  - Permits TOPS awards recipients who successfully complete an academic undergraduate degree in less than eight semesters to pursue postgraduate study and use the awards for the semesters remaining.
- **\$61 million in Federal TANF funds is appropriated for education initiatives as follows:**

\$39 million for the LA4 (Prekindergarten) Program

This is the third year of implementation for the early childhood program funded with TANF dollars. Based on applications, the Department of Education expects to serve approximately 6,300 children in combinations of ten-hour, six-hour and four-hour programs. 19 school systems are continuing in the third year and three are new school systems participating in the LA4 Program for the first year. School systems which do not meet an 80% enrollment target by October 1, 2003 will have funds reallocated to school districts with waiting lists.

Due to the deletion of TANF dollars for the Starting Points Preschool Program, the DOE may decide to use the \$39 million in TANF funds to continue both the LA4 and Starting Points Preschool Programs. FY 02-03 TANF funding for the LA4 Program was \$29 million and \$3.5 million for Starting Points.

\$4.5 million for Dropout Prevention and Intervention Programs

The TANF funding will be used to support the Options Program which pairs the Pre-GED academic program with skills instruction for students who are at-risk of dropping out of high school. Public school systems and approved charter schools may apply for these funds. School districts are encouraged to work with local postsecondary institutions, youth-serving entities and businesses in developing the skills component. Counseling is a required component of the program. Student participation is voluntary and is limited to those 16 years of age or older who have performed poorly in some aspect of the LEAP 21 or GEE tests

#### \$9.5 million for high-quality After School Education and Enhancement Programs

After School Education TANF programs are intended to increase the number of high quality out-of-school-time youth development programs among high poverty communities with low-achieving students and/or a large number of working poor parents. Public elementary, middle or secondary schools; faith-based and other community-based organizations; and private, nonprofit organizations whose mission centers on serving K-12 children are eligible to apply for this TANF funded program designed to provide academic enrichment, recreation and tutoring. A minimum of three days of activities per week for at least ten months will be provided which should be initiated no later than October 10, 2003. Contracts are awarded competitively and contractors are required to provide both an after-school program and a summer program. TANF funding for high quality after-school programs was \$8.8 million in FY 02-03.

#### \$6.5 million for Teen Pregnancy Prevention Initiatives

Teen Pregnancy Prevention initiatives are intended to reduce teen pregnancy rates, reduce the incidence of risk behaviors among teens, and to institutionalize in Louisiana the use of research-based teen pregnancy prevention curricula and methodologies. Public schools, private non-profit organizations, and community-based organizations are eligible to apply for this TANF funded program. Contractors will be required to utilize at least two teen pregnancy prevention instructional/educational curricula approved by the DOE and to include a minimum of program components that have been prevalent in successful Teen Pregnancy Prevention models. Substantial training and on-going coaching will be provided by the DOE to organizations awarded contracts under the request for proposals. This is the initial year for this TANF program in the DOE. The programs are directed at 8-20 year-olds, both male and female, with emphasis on male involvement.

#### \$1.5 million Adult Literacy Initiatives

Adult literacy initiatives are intended to help break the cycle of intergenerational poverty and illiteracy, while building secure and stable families, by improving educational outcomes for low-income families. Eligible entities may include public school systems, non-profit organizations, community-based organizations, technical colleges, and/or partnerships of the eligible entities. Participants should attend a minimum of six hours per week of adult basic education instruction. A site should serve, at a minimum for operation, 20 adults who are eligible, enrolled and participating the minimum number of hours.

The programs should serve TANF-eligible adults, 16-years of age and older, in need of adult basic education services.

Pending approval of the agreements among DOE, DSS, and DOA, applications may be released by August 1, 2003 for program implementation October 1, 2003.

- **\$51.8 million is appropriated to continue K-12 Accountability Initiatives including the following:**

\$ 10.6 million	High Stakes Summer School Remediation
\$ 7.8 million	LEAP 21 Tutoring
\$ 2.7 million	GEE Summer School
\$ 0.7 million	Administration
\$ 4.3 million	Distinguished Educators
\$ 14.2 million	Testing
\$ 4.7 million	School Improvement (\$3.1 million for grants to schools in corrective action and \$1.6 million for District Assistance Teams/Regional Service Centers)
\$ 5 million	K- 12 Rewards for schools exceeding performance targets
\$ 1 million	LINCS (Learning-Intensive Networking Communities for Success)

- **\$44.4 million is appropriated out of the Education Excellence Fund from tobacco settlement revenues in the 2003 Legislative Session for FY 02-03 and FY 03-04.**

- \$10.8 million is appropriated for FY 02-03 as additional Education Excellence Fund revenues and was allocated to state special schools, public schools and nondiscriminatory, nonpublic schools in the FY 02-03 Supplemental Appropriations Bill.
- \$17.4 million is appropriated for FY 02-03 in accordance with the Louisiana Supreme Court's ruling that the Education Excellence Fund appropriated in HB 243 of the 2002 Regular Session did not follow the constitutional allocations. As a result, the legislature reappropriated those funds to public school systems in the FY 02-03 Supplemental Appropriation Bill. The state Attorney General's Office appealed that ruling and before those funds can be released to the public school systems, a final decision will have to be issued by the Louisiana Supreme Court.
- \$16.2 million is appropriated in HB 1 for FY 03-04 for special schools, public schools and nondiscriminatory, nonpublic schools.

- **\$20 million is appropriated for Type 2 Charter Schools.**

Funding for FY 03-04 is based on nine Type 2 Charter Schools (a decrease from 14 schools in FY 02-03) and 3,047 students (an increase from 2,603 students in FY 02-03). The budgeted amount in FY 02-03 for the Type 2 Charter Schools that are expected to maintain operations in FY 03-04 is \$15.6 million.

HB 1 approved a carry forward of funds from FY 02-03 for Tangipahoa Parish Public School System for the payment of deferred wages and benefits for teachers formerly employed by the bankrupt Northwood Preparatory High School in Tangipahoa Parish. HB 1 also authorized continued funding for Milestone Academy and SABIS School, both Type 2 Charter Schools in New Orleans, in the event the schools reorganized.



Significant changes approved in the 2003 Regular Session include the following:

- Act No. 260 (HB 214) provides that for Type 2 Charter Schools any increase or decrease in student enrollment of five percent or less as a result of the February 15<sup>th</sup> membership count will not result in an increase or decrease in state funding.
- Beginning January 1, 2004, Types 1, 2, and 3 Charter Schools are prohibited from employing any member of the governing or management board of the school and not more than 20% of the members of any governing or management board may be members of the same immediate family (Act No. 381, HB 1309).
- All charter schools shall be governed by the law in effect on August 15, 2003, whereas at present, each charter school is governed by the law in effect at the time their charter was entered into (Act 381, HB 1309).

- **\$13.1 million is appropriated for K-3 Reading and Math Initiative.**

The K-3 Reading and Math Initiative is in its seventh year of funding (funded initially in FY 97-98) and is expected to provide 63,000 students at risk of having reading or math difficulties with in-school intervention programs such as retired teachers tutoring, master teachers working with individuals and small groups, after-school programs and extended year programs. All K-3 teachers in kindergarten through 3<sup>rd</sup> grade have participated in professional development in reading and/or math since the program's inception.

- **\$679,000 is appropriated for K – 12 On-Line Database Resources.**

FY 03-04 is the third consecutive year the legislature has funded the On-Line Database Resources from the GALE Group and World Book Online Encyclopedia, with funding from the Charter School Startup Loan Fund (initial year of funding) and State General Fund. The database resources are available to public and nonpublic students and teachers twenty-four hours a day/seven days a week.

- **\$3.7 million is appropriated as the second installment for 16 school systems that experienced a MFP funding reduction of \$11 million in FY 01-02.**

The MFP resolution adopted in 2001 (SCR 139) mandated that any funding received by a school system which exceeded the amount needed to provide a \$2,060 pay raise be returned to the state treasury. This reduction impacted 16 school systems and reduced their state funding by \$11 million. This appropriation is the second installment and is contained in Act 432 (HB 1968), the FY 02-03 Supplemental Appropriation Bill. The public school systems and FY 01-02 reductions are as follows:

<b>FY 01-02 MFP ONE-TIME REDUCTION FOR MINIMUM PAY RAISE</b>					
1	Ascension	\$407,517	9	Ouachita	\$719,382
2	Concordia	\$1,596,613	10	Sabine	\$818,473
3	DeSoto	\$177,601	11	St. Bernard	\$1,891,043
4	Evangeline	\$1,219,174	12	St. Charles	\$50,302
5	Grant	\$340,078	13	St. Landry	\$299,212
6	Jackson	\$224,987	14	Union	\$333,292
7	Lincoln	\$1,465,180	15	West Feliciana	\$203,618
8	Livingston	\$1,347,062	16	Bogalusa	\$152,068

- **City of Baker Public School System Reverting of Loan Payment**

In FY 99-00, the Baker Independent School District was appropriated a \$400,000 loan for start-up costs. The loan repayment was to begin August 2003. HB 1 authorizes the DOE to revert back to the city of Baker School Board payments due in FY 03-04 from loan repayments. HB 1 stipulates that the funds reverted back to the Baker School Board would be used for instructional purposes.

- **\$200,000 Teach Louisiana First**

The Teach Louisiana First (Act 982, HB 1923) program offers \$4,000 and \$6,000 payment incentives to teachers to teach in public schools that have been designated as failing schools. The Office of Student Financial Assistance will administer the program and has earmarked \$200,000 for the initial year of operation. It is estimated that approximately 33 teachers could participate in the program.

- **\$1 million is appropriated to the Louisiana Educational Television Authority (LETA) for the UNO TELEPLEX.**

This is the third year of state funding in the LETA operating budget for the UNO TELEPLEX. The first appropriation occurred in FY 01-02 for \$500,000, a second appropriation was made in FY 02-03 for \$1 million, and a third appropriation of \$1 million has been made for FY 03-04 for the digital broadcasting and transmitting center, in the design and planning stage on the UNO campus which, when completed, will be owned by UNO.

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## HIGHER EDUCATION

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- **\$5 million in State General Fund is appropriated for the Community and Technical College Development Pool.**

The Board of Regents received this funding to address instructional needs of the community and technical colleges and the academic learning centers in light of anticipated enrollment increases at those institutions. With implementation of the Master Plan, thousands of students are expected to shift enrollment from four-year universities to community and technical colleges. These funds should address financial issues that may occur as a result of the expected enrollment changes. The amount received by the Board of Regents for this purpose was \$7.6 million in FY 02-03, which was distributed to individual institutions and incorporated into their base budgets for FY 03-04.

- **\$3.1 million in State General Fund is appropriated for continued funding of the Louisiana Gene Therapy Consortium.**

Operating funds for the Louisiana Gene Therapy Consortium are appropriated in the base budget of the Board of Regents. The \$3.1 million appropriation for FY 03-04 includes an increase of \$610,180 over the FY 02-03 funding level. The Louisiana Gene Therapy Consortium is a cooperative endeavor between the LSU Health Sciences Center and Tulane Health Sciences Center. Funding helps with life science research and drug development for certain diseases. The expectation is that this research will yield economic development opportunities through related business development. The Consortium is engaged in a variety of research studies, including stem cell research that may help with spinal cord injuries and certain diseases.

- **\$5.25 million in State General Fund is appropriated for the Performance and Quality Improvement Pool.**

Board of Regents received this funding for the Performance and Quality Improvement Pool to address performance expectations of higher education institutions and to strategically focus resources on certain research and educational areas. \$6.4 million was appropriated for the pool in FY 02-03, which has been distributed to institutions and incorporated in their individual budgets.

- **\$2.7 million in State General Fund is appropriated for Health Care Workforce Development, targeting nursing and allied health programs.**

These monies in the Board of Regents budget will be used to study and expand participation in areas of Louisiana's health care workforce. \$1.6 million is allocated to allied health and nursing programs at Delgado Community College. \$100,000 is allocated to the Louisiana Works Commission for study of the health care workforce needs. \$300,000 is appropriated to Southeastern Louisiana University and \$700,000 is to be allocated to institutions in the LSU, SU, UL and LCTC Systems for nursing and allied health programs.

- **\$1.5 million in State General Fund is appropriated for operational expenses of the pharmacy program of the University of Louisiana at Monroe.**

ULM received additional funding for its pharmacy program to address accreditation issues in FY 03-04. The university has experienced a large reduction in students over the past several years resulting in a revenue loss. University administrators have reallocated resources in the past to maintain the low student-to-faculty ratio that is required for accreditation and to maintain competitive salary levels for faculty of the pharmacy program. The ULM pharmacy program is the only public program of its kind in the state and only one of two pharmacy programs in the state.

- **\$38.8 million in State General Fund is appropriated for mandated costs, including about \$11 million for classified employee merit increases, \$12 million for risk management adjustments and \$16 million for Group Insurance adjustments.**

Funding of these expenses will increase the formula implementation rate for the institutions while also allowing other operating funds to be used for instructional purposes.

- **\$1 million increase in State General Fund is appropriated for Pennington Biomedical Research Center bringing the Center's total State General Fund budget for FY 03-04 to \$9.9 million.**

Pennington continues to exceed its performance expectations in its acquisition of external funding. The Center received a performance incentive award during FY 02-03 based on its success in this area. The new funds for Pennington will be used for the following research areas: \$337,385 in bio-imaging, \$249,169 in nutrition and chronic disease research, \$208,240 in functional foods research, \$118,473 in health and performance enhancement research, and \$86,733 in obesity research.

- **\$1.5 million in State General Fund is appropriated to the LSU Board of Supervisors to assist the LSU Health Sciences Centers at New Orleans and Shreveport with faculty recruitment.**

Due to anticipated attrition of several department heads at the LSU Health Sciences Centers, the Centers were in need of funds to recruit faculty and department heads. Some of these positions may require as much as \$1 million for an individual recruitment package. The Centers at both Shreveport and New Orleans will be able to utilize these funds for that purpose.

- **\$925,000 in State General Fund is appropriated to the Center for Development and Learning in the Department of Psychiatry budget of the LSU Health Sciences Center - New Orleans.**

The Center for Development and Learning (CDL) is a non-profit organization that specializes in development and dissemination of research, knowledge, training and best practices from diverse fields that impact educational success. CDL received \$615,000 in FY 02-03 and received an increase of \$310,000 for FY 03-04. The organization plans to use its new funds to link with low performing school districts and work to keep highly qualified teachers in those school districts.

- **\$5 million in State General Fund is appropriated to the LSU Health Sciences Center - Shreveport for indigent care. An additional \$3.7 million in increased Medicaid claims payments is also funded.**

The LSU Health Sciences Center - Shreveport operates a University Hospital and serves a large region in the Shreveport area. Funding was provided for an increase in Medicaid claims payments of \$3.7 million (\$938,000 in State General Fund match). The legislature provided additional State General Fund of \$5 million for operational expenses to offset a reduction in Medicaid and UCC payments for FY 03-04 of about \$7 million.

- **\$17.5 million in State General Fund and \$3 million in capital outlay funding are appropriated for continuation of the Governor's Information Technology Initiative.**

\$17.5 million of recurring State General Fund is contained in the operating budget of the various higher education institutions, and \$3 million is provided in the capital outlay budget (\$300,000 in Priority 2 and \$2.7 million in Priority 5). The Governor's Information Technology Initiative is expected to increase economic development and enhance computer-related research in public universities. The Initiative has three primary elements, including: 1) developing technologies that create new companies, jobs, and wealth; 2) developing a highly trained workforce for the IT-intensive workplaces; and 3) exploiting the six targeted technology clusters identified in Vision 2020.

- **\$15 million in capital outlay funding is appropriated to higher education for library, instructional, and scientific acquisitions.**

Funding for library, instructional, and scientific equipment upgrades will be distributed to public post-secondary education institutions through a plan devised by the Board of Regents. The appropriated amount includes \$11.5 million in State General Fund and bond funding of \$1.1 million in Priority 2 and \$2.4 million in Priority 5. During FY 02-03, higher education received \$15 million for library and scientific acquisitions through the Capital Outlay Act. During FY 01-02, higher education received \$16.4 million in library and scientific acquisitions through non-recurring monies in the Higher Education Initiatives Fund.

- **Legislation affecting the financial operations of the Louisiana Community and Technical College System was approved.**

The legislature passed legislation that will bring the Louisiana Community and Technical College System (LCTCS) into the same posture as the other systems of higher education. When the LCTCS was created in 1999, the system was not included in the exemptions which permit higher education institutions not to deposit all funds in the state treasury and not to use the state procurement officer for all purchases. The LCTCS received repeat audit findings because the system was not exempt. Acts 756 and 759 (SBs 349 and 359), which were both passed by the legislature, now include the LCTCS in the higher education exemption for the two aforementioned requirements.

- **Higher education received legislative authority to increase fees and tuition for Fiscal Year 03-04.**

Increases in State General Fund appropriations for higher education coincide with an annual increase in tuition of 3% that was approved by the legislature in Act 1117 (HB 2007) of the 2001 Regular Session and that is expected to generate about \$13.3 million annually.

Also, under Act 1132 (HB 1786) of the 2003 Regular Session, all of the systems of higher education received approval by the legislature to charge students an Academic Excellence Fee of \$10 per credit hour not to exceed \$120 per academic session beginning in Fall, 2003. The fiscal note on that fee shows that it will generate about \$38 million annually. Act 1105 (HB 1536) permits the Board of Regents to devise and submit a statewide plan for implementation of tuition and fee increases in public postsecondary institutions. The plan must be approved by a two-thirds vote of both houses of the legislature. Other tuition and fee increases authorized in the 2003 Regular Session include:

- Act 1023 (HB 401) - authorizes LSU-Alexandria to increase its tuition and fee levels from that of a two-year university to a four-year university, permitting an increase in tuition to \$973 per semester starting in Fall, 2003 and an increase of \$167 starting in Fall, 2004.
  - Act 963 (HB 15560) – approves an increase in fees for facilities use and maintenance at UNO starting in Fall, 2003, authorizing a fee increase of \$60 per semester for full-time students (proportional increase for part-time students) to generate \$2.2 million annually.
  - Act 976 (HB 1802) – authorizes Southern University Law Center to increase full-time tuition by \$815 annually for three years for total increase of \$2,445, which when fully implemented will generate \$342,000 in FY 03-04, \$684,000 in FY 04-05 and over \$1 million annually thereafter.
- **Total capital outlay funding of about \$870 million is provided for higher education institutions.**

This funding provides for planning, construction, renovation, and equipment and property acquisitions for higher education institutions, including the new and existing initiatives discussed above. Cash and bond funding of this amount includes the following:

\$	<b>11.8 million</b>	<b>State General Fund nonrecurring revenues</b>
\$	<b>56.5 million</b>	<b>Fees and Self-generated Revenues</b>
\$	<b>48.2 million</b>	<b>Federal Funds</b>
\$	<b>169.0 million</b>	<b>Revenue Bonds</b>
\$	<b>164.0 million</b>	<b>Priority 1</b>
\$	<b>86.6 million</b>	<b>Priority 2</b>
\$	<b>2.3 million</b>	<b>Priorities 3 and 4</b>
\$	<b>331.2 million</b>	<b>Priority 5</b>

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## HEALTH AND HOSPITALS

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### **Medicaid**

Although the Federal Fiscal Relief Act ultimately allowed for a near-complete restoration of all Medicaid spending proposed by DHH, most of the Legislative budget effort centered on crafting a plan for restored funding and avoiding the deep cuts to health care reflected in the Executive Budget.

The Executive Budget reduced funding in DHH by some \$1.4 billion, resulting in deep cuts for private providers and closure of many state-operated health care facilities. The Executive Budget also included some \$274 million that was highly doubtful as to DHH's ability to generate it. DHH quickly disclosed that such cuts, and the expansion of community based services to offset these closures, were over-ambitious.

House Committee actions focused initially on two goals: To find additional resources for the Medicaid Program, and to more equitably allocate any cuts that remained necessary. On both goals, the Appropriations Committee was largely successful; the first House plan limited cuts to private health care providers to 5% or less in almost all cases, and it kept all state facilities open. The significant exceptions were the LSU-HCSD hospital system and the LSU-HSC-Shreveport medical school hospital. Other unrestored cuts included the 8-script limit on drugs and the reductions to outpatient hospital services that DHH implemented earlier in FY 02-03.

With the Federal Fiscal Relief in the form of a 2.95% increase in federal Medicaid matching funds and \$152 million in flexible Federal grants, the revised House plan restored all health care cuts except for the LSU hospitals, limits on prescription drugs and outpatient hospital services. Fiscal relief also allowed restoration of many of the health care cuts resulting from the Executive Budget cuts last fall. It further allowed DHH, rather than the LSU hospitals, to pay the state match cost for additional payments approved in the last half of FY 02-03.

Medicaid and uncompensated care payments to LSU-HCSD system are 15.4% less than in FY 02-03. LSU-HSC-Shreveport will receive about 3.5% less than in FY 02-03. These reductions are partly offset by State General Fund increases of \$35.6 million in HCSD hospitals and \$5 million for the Shreveport hospital.

### **Medicaid Program Spending.**

Before applying the 0.8% across-the board cut, FY 03-04 Medicaid spending for health care services is \$4.5 billion. This is some \$183.2 million, or 4.2%, more than payments for health care services in FY 02-03. Medicaid also will pay another \$341.3 million to generate financing, most of which is overpayments to state hospitals under the "Federal 175% DSH overpayment option." Payments related to the nursing home intergovern-



mental transfer (IGT) fall from \$193.7 million in FY 02-03 to only \$7 million in FY 03-04 due to changes in Federal rules regarding IGT payments. For all Medicaid payments, (services, financing and the IGT), FY 03-04 is 6.4% greater than in FY 02-03.

Without considering the impact of the 0.8% cut, total Medicaid appropriations are sufficient for spending projections except for the following items.

- Outpatient hospital rates – reduced initial payment (estimated savings - \$42 million). DHH recommended continuation of this reduction.
- Drugs limited to eight prescriptions per month unless physician overrides this limit (estimated savings - \$31 million). This restriction continues current practice and avoided the more restrictive DHH proposal of a six-prescription limit with prior approval for override.
- Behavioral management service expansion is reduced by \$9.7 million, with expanded services delayed to January 1, 2004. Remaining amounts for this program are roughly half of what DHH proposed.
- Personal Care Attendant – Statewide plan option is reduced by \$9.4 million, but this new service will still increase costs by some \$28 million, with services available after October 1, 2003. Remaining funding for this new service is roughly 75% of what DHH proposed.

The Legislature also approved the following additions to address specific program and access issues:

- \$17.5 million is provided for payment of “outlier” costs associated with neo-natal pediatric intensive care services. However, no funding is provided for paying cost reports.
- \$52 million in additional MR/DD waiver costs, including conversion to the comprehensive New Opportunities Waiver (NOW). Projected NOW waiver spending for FY03-04 totals \$217.6 million.
- \$36.3 million for greater use of physician’s services, including the expansion of CommunityCARE to a statewide program. Total physician’s payments in FY 03-04 are an estimated \$294.2 million.
- \$6.8 million for rate increases to address access to care issues, including:
  - \$ 2.5 million Specialist physicians
  - \$ 2.2 million Dental services (children dental care and adult dentures)
  - \$ 820,000 Non-emergency transportation (non-ambulance)
  - \$ 294,000 Emergency air-ambulance
  - \$ 1 million Physical, occupational and speech therapists

## Financing

The FY 03-04 Medicaid budget also relies on substantial amounts of one-time money and creative financing mechanisms to maintain services. These mechanisms allow for less State General Fund that otherwise would be needed. However, these sources are not permanent sources for the state's share of Medicaid costs in many instances. The primary sources of this state match are:

- \$111.2 million Additional Federal Funds resulting from the Federal Fiscal Relief Act. For FY 03-04, the federal matching share for Medicaid will be increased by 2.95%, resulting in a state match reduction of \$111.2 million. However, in FY 04-05, the match rate will return to the normal level, and the state will have to provide this amount from its own sources.
- \$196.8 million State match generated from use of the "175% overpayment option". For FY 03-04 and FY 04-05, the state may pay public hospitals 175% of their indigent care costs under federal Medicaid-DSH rules. To generate this overpayment, the Medicaid will pay to state hospitals and DHH will recoup from them \$274.7 million. After paying the state's matching share, DHH will net \$196.8 million for use in the Medicaid program. This financing mechanism is available only for FY 03-04 and FY 04-05. After that, the state will have to provide this amount from other state sources.

To make this overpayment financing mechanism work, the total amounts of uncompensated care costs (UCC) available to LSU-HCSD, LSU-HSC and other hospitals for medical services for indigent patients had to decline to make "room" for these overpayments. In large part the reduction in funds for indigent care is offset by more generous Medicaid payments. The details and impact of these reductions is discussed in more detail in the HCSD section

- \$163.6 million Additional State General Fund over amounts in the Executive Budget. These additional funds in large part result from using the one-time flexible federal grant money in other areas of state spending.
- \$ 48 million Additional upper payment limit (UPL) payments to non-state public hospitals and state Developmental Centers to generate additional financing of some \$34.4 million. Although these payments can be used indefinitely, about 70% of these amounts must be renegotiated each year with the public hospitals. In past years this task was time-consuming and sometimes difficult.

### Legal Issues

DHH faces two ongoing lawsuits that require substantial new services and higher costs. The *Chisholm* case requires DHH to offer Behavioral Management services in a community setting. The *Barthelemy* case requires DHH to expand several waiver programs and offer Personal Care Attendants as a service on a statewide basis to all who qualify for the service. The Legislature expressed serious concern about these expansions, both in terms of DHH's ability to control costs and because, in the *Barthelemy* suit, DHH accepted additional court ordered expenditures even though it faced a severe budget problem. For the *Barthelemy* litigation, the budget provides that these services shall be provided beginning October 1, 2003, but it also requires DHH to "go back to court" to negotiate for less costly remedies, including expanded waiver services. Expansion of *Chisholm*-mandated services will occur beginning January 1, 2004.

### LSU-HCSD – Charity Hospitals

Act 906 of the 2003 Regular Session (SB 867) gives LSU greater freedom from legislative oversight and greater flexibility in the operation of the LSU-HCSD charity hospital system. The legislation also strengthens the hospitals' ability to collect from patients with incomes greater than 200% of federal poverty level. Since FY 01-02, only State General Fund and Statutory Dedication appropriations are reflected in HCSD appropriations. For FY 03-04, these direct appropriations include:

\$ 1.7 million	Disease management administrative functions
\$ 2.8 million	Pharmacy costs for the drug manufacturers "free drug" program.
\$ 32.6 million	Prisoner care cost for care of state and local prisoners
\$ 35.6 million	Medical costs for uninsured and costs not allowable for Medicaid DSH payments.

Medicaid and uncompensated care costs are paid primarily through the Medical Vendor Payments Program. Even though the Legislature appropriated \$35.6 million of State General Funds for indigent care in FY 03-04, total Medicaid and uncompensated care funding will decline substantially, as reflected in the following table.

	FY 02-03*	FY 03-04	\$ Change	% Change
Medicaid Claims	\$226,557,441	\$235,513,169	\$8,955,728	4.0%
Uncompensated Care	\$495,278,061	\$375,402,020	(\$119,876,041)	-24.2%
State General Fund for Indigent Care	0	\$35,600,000	\$35,600,000	--
Total	\$721,835,502	\$646,515,189	(\$75,320,313)	-10.4%

\*The FY 02-03 payments are as of year-end and include some \$14.4 million to be returned to HCSD in the Supplemental Appropriation Bill, as well as \$12.8 million of payments returned to DHH for the state matching share of cost settlements. They also reflect mid-year adjustments to address audit findings of uncompensated care overpayments.

These reductions in Medicaid and uncompensated care payments to HCSD reflect several key factors.

- The fact that HCSD overspent its beginning FY 02-03 budget by some \$59 million, requiring a significant bailout in May, 2003, so the system could complete the year in a stable fashion. (Had HCSD kept its spending within original budget, the FY 03-04 reduction would have been about 6%).
- The fact that HCSD was “overpaid” for uncompensated care for the past several years. Audit findings show that these overpayments may be as much as \$290 million.
- The fact that HCSD was “underpaid” for Medicaid claims for the past several years. Audit findings show that these underpayments may be as much as \$150 million.
- The necessity of using “175% DSH payments” to finance the Medicaid required cuts to payments for uninsured persons beyond those reductions to correct for the historical overpayments of uncompensated care (see Medicaid discussion).

Because HCSD is now fully “off-budget,” the hospital-by-hospital distribution of the reductions reflected in these payments will be determined by HCSD’s management and approved only by the LSU Board of Supervisors. Act 906 gives the hospital system authority to make cuts of up to 35% to any single hospital without specific legislative approval, provided it does not close any hospital or emergency room.

### **Office of Public Health**

\$ 9.6 million      ChildNet services are consolidated in OPH for FY 03-04,

The ChildNet program transferred from the Department of Education to the OPH in FY 02-03. This consolidation from other DHH agencies into OPH includes \$7.8 million of new federal Medicaid payments. The remaining amount is from monies transferred from other DHH agencies that previously received ChildNet money directly.

\$ 720,000      Continued funding for condom distribution.

Although House amendments removed these funds from the OPH budget, the final budget allows this activity to continue at prior year levels.

\$ 300,000      OPH mosquito control funds transferred to the LSU School of Veterinary Medicine for encephalitis testing.

### **Office of Mental Health**

\$ 6.2 million      Additional funds to continue all state mental hospitals and outpatient services during FY 03-04, including Southeast Louisiana Hospital, which DHH had proposed for closure even in its revised plans.

### **Office for Citizens with Developmental Disabilities and Developmental Centers**

\$ 9.2 million      Additional funding for services for the developmentally disabled, including operation of all state developmental centers and community services for persons voluntarily leaving these centers, as well as those already living in the community.

### **Office of Addictive Disorders**

\$ 1.7 million      Restoration of funds from TANF to provide non-medical substance abuse treatment services for women with dependent children for a total of \$3.67 million.

Total funds for Addictive Disorders in FY 03-04 is at approximately the same level as in FY 02-03.

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## **SOCIAL SERVICES AND TEMPORARY ASSISTANCE TO NEEDY FAMILIES (TANF)**

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### **Social Services**

- **\$21.8 million restores the Executive Budget cut to the Child Care Assistance Program (\$5 million State General Fund).**

The \$5 million in State General Fund will match approximately \$16.8 million in Federal funding for the Child Care Assistance Program. This funding will allow the department to serve 4000-5000 more children, but will not restore the state copay rates which were reduced in April, 2003.

During FY 02-03, DSS reduced copay rates (the state's contribution toward child care expenses based on income) due to the overwhelming need for child care assistance and the limited amount of funds available.

- **\$21.7 million is appropriated in Federal funding for the Child Care Assistance Program.**

These funds will allow for a 15% increase for child care providers, which was determined by a market survey. This appropriation allows Louisiana to remain in conformity with the federal requirement that reimbursement rates to providers remain within the 75th percentile of the market rate. The last rate change to providers was made in November 1999. These Federal Funds, which required no state match, will not affect the parent co-pay rate but will increase the amount that the department pays to the providers.

- **\$1.82 million restores 63 Child Protection Investigator positions cut in the Executive Budget (\$855,895 SGF; \$970,790 Federal).**
- **\$2.0 million is provided in Federal Title IV-E funds to be transferred to the Department of Corrections for use in local juvenile courts.**
- **\$10.5 million is appropriated in Federal Funds for the Office of Family Support.**

These funds are a federal award for the Office of Family Support for performance in child support enforcement. The funds will be used for projects within OFS and the Office of the Secretary including a call center, equipment purchases, a District Attorney Improvement Fund (for expenses of DAs involved in support enforcement), and enhanced web site development.

## **Temporary Assistance to Needy Families (TANF)**

- **\$95.5 million in Federal Funds is appropriated to support core DSS TANF activities.**

During FY 02-03 the federal TANF block grant was reauthorized for one year. Currently Congress is debating the five-year reauthorization plan. The principle elements of the TANF reauthorization plan are (1) increased work requirements for all families; (2) changes to “countable” participation activities and requiring that 24 hours include “direct work” activities; (3) implementation of a “universal engagement” plan for all families receiving aid; (4) increasing state welfare-to-work participation rates to 70% by FY 2007, and (5) replacing the caseload reduction credit with employment credit, whereby recipients who exit with income may be counted towards state participation.

To comply with the new federal guidelines, the Department of Social Services reorganized the FINDWORK Program (ACT 58). The new program “Strategies to Empower People” (STEP) emphasizes a case-management approach within the Department of Social Services and involves the Workforce Commission and the Department of Labor in the effort to move people from welfare to work.

The following are the DSS FY 03-04 core TANF activities budgeted:

➤ **\$69 million for Cash Assistance Payments**

This allocation represents a \$2 million reduction from FY 02-03.

➤ **\$16 million for STEP Activities and Support Services**

STEP assists FITAP recipients with educational, training, and work-related activities designed to lead to employment and self-sufficiency. To facilitate attendance and successful completion of these activities, the program provides supportive services when needed such as childcare, transportation, eyeglasses, and other items necessary for training or employment.

➤ **\$10.5 million for Administration**

Funds assist DSS in the maintenance of core TANF activities.

- **\$117.8 million in Federal Funds is appropriated to support additional TANF initiatives.**

In FY 01-02 a large balance of unused TANF block grant funds for Louisiana was identified. This prompted the expansion of existing TANF programs and the creation of new programs for FY 01-02 and FY 02-03. Each of these programs must comply with federal requirements and meet one of the following TANF goals: (1) to provide assistance to needy families; (2) to end the dependence of needy families by promoting work, job preparation, and marriage; (3) to reduce out-of-wedlock pregnancies; and (4) to encourage the formation and maintenance of two-parent

families. FY 03-04 represents the last year of spending down the large balance. It is projected that only \$22 million will be available for these initiatives in FY 04-05. FY 03-04 TANF initiatives include the following: (changes from FY 02-03 reflect total budget including bonus payments and supplemental grants)

➤ **\$39 million for Public Pre-K**

The LA-4 Program, administered by the Department of Education, provides high quality early childhood education for low-income four-year-olds in participating school districts. \$3.5 million for the Starting Points Program may also be funded out of this allocation. This allocation represents a \$11.3 million increase from FY 02-03.

➤ **\$8.5 million for Private Pre-K**

This program, administered by the Office of Community Programs in the Governor's Office, provides for coordination of high quality early childhood education for low-income four-year olds in non-public schools in New Orleans, Lafayette, Shreveport, and Baton Rouge, and other localities with identified capacity to offer programming through non-public schools. This allocation represents a \$2.5 million increase from FY 02-03.

➤ **\$4.5 million for Drop-out Prevention**

This program, administered by the Department of Education, is to provide young students, who are at risk of dropping out of school, skills assessment and referrals to basic and job skills services. This allocation represents a \$2.5 million reduction from FY 02-03.

➤ **\$9.5 million for After-School Activities**

This program, administered by the Department of Education, is to provide high quality after-school education and enhancement programs for school-age children through qualified community-based organizations. This allocation represents a \$1.75 million reduction from FY 02-03.

➤ **\$1.5 million for Adult Literacy programs**

This program, administered by the Department of Education, is to provide for the improvement of the literacy proficiency of families and adults. This allocation represents a \$3 million reduction from FY 02-03.

➤ **\$2.4 million for Truancy Programs**

This program is administered by the Louisiana State University School of Social Work for the purpose of providing truancy intervention services for at-risk school-aged children.

➤ **\$11.75 million for Education and Training/ Job Skills**

This program, administered by the Workforce Commission, provides education and training initiatives. This allocation represents a \$3.75 million increase from FY 02-03.



- **\$642,000 for Micro-enterprise Development**  
This program, administered by the Department of Economic Development, provides assistance with small business organization for low-income parents. This allocation represents a \$358,000 reduction from FY 02-03.
- **\$4.5 million for Post-release Skills Programs**  
This program, administered by the Department of Corrections, enables newly released inmates to gain employment and life skills. This allocation represents a \$500,000 increase from FY 02-03.
- **2 million for Training Opportunities for Incarcerated Parents**  
This program, administered by the Louisiana Community and Technical College System, provides training opportunities, such as GED and job skills, for incarcerated parents. This allocation represents a \$1.0 million increase from FY 02-03.
- **\$6.5 million for Teen Pregnancy Prevention**  
This program, administered by the Department of Education, provides teen pregnancy prevention initiatives. This allocation represents a \$3 million reduction from FY 02-03.
- **\$3.16 million for Domestic Violence Initiatives**  
This program, administered by the Office of Women's Services, provides service-based domestic violence assistance in coordination with the Women's Commission and the Louisiana Coalition on Domestic Violence. This allocation represents a \$166,666 increase from FY 02-03.
- **\$500,000 for Family Strengthening**  
This program, administered by the Department of Social Services, provides intervention and support services to enable low-income parents to act in the best interest of their child. This allocation represents a \$375,000 reduction from FY 02-03.
- **\$4.83 million for Court Appointed Special Advocates (CASA)**  
This program, administered by the Louisiana Supreme Court, provides court appointed special advocates to needy children.
- **\$5 million for Drug Courts**  
This program, administered by the Louisiana Supreme Court, provides non-medical substance abuse services for low-income parents and juveniles.

- **\$4.16 million for Substance Abuse Initiatives for Women**  
This program, administered by the Department of Health and Hospitals, Office of Addictive Disorders, provides non-medical substance abuse treatment for women with minor children. This allocation represents a \$166,666 increase from FY 02-03.
- **\$1.75 million for Early Childhood Intervention**  
This program, administered by the Department of Health and Hospitals, Office of Mental Health, provides early childhood prevention and intervention non-medical services focusing on mental health supports for at-risk children ages 0-5 and their families.
- **\$750,000 for Fatherhood Initiatives**  
This program, administered by the Department of Social Services, Office of Family Support, provides low-income fathers with employment, life skills, and parenting skills. This allocation represents a \$2.25 million reduction from FY 02-03.
- **\$1.5 million for Abortion Alternatives**  
This program is administered by the Department of Social Services, Office of Family Support, in collaboration with pregnancy crisis centers.
- **\$3.0 million for Community Response**  
This program is administered by the Department of Social Services, Office of Family Support, for the purpose of reducing poverty in Louisiana through community-based competitive grants. This allocation represents a \$3 million reduction from FY 02-03.
- **\$2.35 million for Oversight and Caseworker Training**
- **The following FY 02-03 TANF Initiatives have been eliminated:**  
  
Child Literacy, Cluster Training, Court-ordered Training, Individual Development Accounts, Youth in Transition, Housing Initiatives, Home ownership, Emergency Home Repair (Delta Project), Utility Assistance, and Transportation.

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## TRANSPORTATION

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State transportation funding is financed primarily by taxes on gasoline and special fuels and vehicle licenses, all of which have been affected by the slow economy. As a result, total transportation spending is little changed for FY 03-04.

- **DOTD's operating budget is stable, but more must be spent on salary and related benefits, and less on operating services and new equipment.**

To cover rising personnel and related benefit costs of some \$13.8 million, DOTD will reduce professional services and acquisitions. Acquisitions will be only \$11.7 million for the department, which is only about half of the money available for acquisitions in the past three years.

- **\$1.1 million is appropriated as pass-through funding for local public works authorities.**

- \$188,330 Millennium Port (\$200,000 in FY 02-03)
- \$100,000 Alexandria water wells monitoring (No change from FY 02-03)
- \$425,341 Louisiana Airport Authority (\$451,700 in FY 02-03)
- \$300,000 Lafayette Expressway Commission (New in FY 03-04)
- \$ 50,000 Poverty Point Reservoir Commission (\$100,000 in FY 02-03)

- **DOTD Managed Capital Outlay Projects**

The capital outlay bill reflects the following appropriations for DOTD's various programs:

Highway Priority Program	\$ 557,400,000
Hazard Elimination Projects	\$ 16,000,000
Timed Program	\$ 80,000,000
Statewide Flood Control Program	\$ 10,000,000
Port Construction and Development Program	\$ 20,000,000
Aviation Improvements Program	\$ 8,400,000
All Other, Including Bond Projects	<u>\$ 349,562,000</u>
 Total DOTD Managed Construction Projects	 <u>\$1,041,362,000</u>

DOTD's approved Highway Priority Program reflects slightly different totals, but provides more detail on the allocation of these funds into different categories. The FY 03-04 values in the table below do not reflect the \$33 million reduction in Transportation Trust Fund-Regular funds approved in May by the Revenue Estimating Conference. It also excludes the bond projects shown above.

<b>DOTD – Highway Priority Program Allocation of Highway Priority Program Spending</b>			
\$ Million			
	FY 01-02	FY 02-03	FY 03-04
<b>Preservation Projects</b>			
Non-Interstate (Pavement)	\$150	\$125.0	105.0
Interstate (Pavement)	\$50	\$50.0	45.0
Bridge (On System)	\$87	\$88.1	66.0
Bridge (Off System)	\$21	\$15.0	15.0
Operations Projects	\$33	\$28.5	34.2
Safety Projects	\$47	\$44.1	33.0
<b>Capacity Expansion Projects</b>			
Regular Program	\$111	\$114.7	92.0
TIMED Program	\$72	\$70.0	225.0
<b>Other Projects</b>			
Federal Enhancement Projects	\$11	\$11.0	8.8
Urban Systems, Construction Mitigation and Air Quality	\$56	\$49.5	36.0
Federal Earmarks and Demonstration Projects	\$22	\$27.5	17.5
<b>TOTAL</b>	<b>\$660</b>	<b>\$622.9</b>	<b>687.5</b>

- **Other Priority Programs**

DOTD will use cash management to control total outlays for the state's port and flood control priority programs. The Port Construction and Development Program appropriation of \$20 million will be used to support existing projects and authorize new projects not to exceed \$20 million. This is the same amount as in FY 02-03. The Statewide Flood Control Program appropriation of \$10 million will continue existing projects and allow new project starts of up to \$10 million. This is unchanged from FY 02-03. The State Aviation Improvements Program will receive TTF funds of \$6.7 million, an increase of \$1 million over FY 02-03. It also receives TTF – Federal and bond funds of \$1.7 million, in total \$8.4 million for continuing and new aviation projects in FY 03-04.

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## MILITARY AND VETERANS AFFAIRS

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### Military Affairs

- **\$36.6 million in Federal Funds is appropriated for Domestic Preparedness Grants.**

The Office of Emergency Preparedness has been designated as the State Office of Homeland Security. For Federal Fiscal Year 2003, the amount of \$36.6 million has been allocated to the state for first responder, training, and equipment grants. Of the total appropriation, \$21 million will be allocated for local law enforcement grants to be administered by the Office of State Police. Additionally, \$430,000 was allocated to LSU for firefighters training and to the LSU Health Sciences Center for domestic preparedness training. The amount of \$2.1 million will be used for facility renovations and operating expenses at Carville to support the Southeast Anti-terrorism Regional Training Academy (SARTA).

- **\$11.6 is appropriated for hazard mitigation projects related to Hurricane Lili and Tropical Storm Isidore.**

As a result of damages sustained during Hurricane Lili and Tropical Storm Isidore, the state has qualified for funding for hazard mitigation projects. These funds are available primarily for local projects which have been approved by the Federal Emergency Management Agency (FEMA). Federal Funds pay for 75% of the total project cost. Local governments will be responsible for the balance of the project costs.

- **\$17.8 million in state and Federal funding is appropriated for the National Guard Youth Challenge Program.**

The National Guard Youth Challenge Program now operates out of three locations statewide, Camp Beauregard (Rapides Parish), Carville (Ascension Parish) and Camp Minden (Webster Parish). The Academy aids high school drop-outs in acquiring life enhancing and employable skills. Participants aged 16-19 are unemployed, drug-free, and free from serious involvement with the legal system. The program consists of a five-month residential training program and twelve-month post-residential mentor phase. There are two classes a year with 200 slots per class at each camp.

- **The Capital Outlay Act provides \$38.4 million for various projects statewide.**

These projects are funded by \$18.4 million in Federal Funds and \$20 million in General Obligation Bonds in Priorities 1, 2 and 5 and include:

- \$ **23.8 million** - for infrastructure upgrades and improvements
- \$ **3.3 million** - for Homeland Security enhancements
- \$ **7.0 million** - for maintenance
- \$ **4.3 million** - for regional hazard mitigation projects

### **Veterans Affairs**

- **The General Appropriation Bill includes \$400,000 for start-up costs of the Southwest La. War Veteran's Home and the Capital Outlay Act provides \$21.2 million for a new War Veteran's Cemetery and two new homes.**

The Southwest Louisiana War Veteran's Home in Jefferson Davis Parish is funded with \$5 million in Priority 1. The home is scheduled to open in April 2004 and is funded with \$400,000 in State General Fund for start-up expenses.

There is also \$7.9 million in Priority 1, 2 and 5 for the Southeast Louisiana War Veterans Home in St. John the Baptist Parish and the Northwest Louisiana War Veteran's Home in Bossier Parish. \$350,000 in Priority 2 is budgeted for the Louisiana State Veteran's Cemetery in Caddo Parish.

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## PUBLIC SAFETY AND CORRECTIONS

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### **Corrections Services**

- **\$147 million appropriated for Sheriff's Housing of State Inmates.**

After several years of significant growth in offender populations, the trend appears to be slowing. Projections for FY 03-04 indicate there will be no new beds required for housing offenders in local facilities. There was no increased funding appropriated for Sheriff's Housing. Approximately 17,000 state inmates are housed in local jails, compared with 18,700 inmates in state correctional facilities.

- **\$4.5 million in Federal Temporary Assistance for Needy Families (TANF) Funds from the Department of Social Services will allow for the continuation of educational and rehabilitation programs.**

\$4 million was allocated in FY 02-03 for three aftercare programs which provide transitional services to assist former offenders to reintegrate into the community. The programs were offered in Baton Rouge, New Orleans and Shreveport. The department will issue a request for proposals for the continuation of services throughout the state.

- **Juvenile Justice Commission**

HCR 94 of the 2001 Regular Session of the Legislature created the Joint Legislative Juvenile Justice Commission and Ad Hoc Juvenile Justice Advisory Board to study and make recommendations on the feasibility of reforming and restructuring the juvenile justice system. After conducting research and holding a number of public hearings for the purpose of obtaining input from all interested parties, the Advisory Board submitted their recommendations to the Commission in January 2003. A major focus of the recommendations is to shift the focus from secure care to community based programs for juvenile offenders. Act 1225 of the 2003 Regular Session of the Legislature provides for the review and eventual implementation of reforms to the state juvenile justice system. In anticipation of the legislation, the Department of Corrections recommended transfers to assist in the movement to community based services. The \$2.4 million reduction in secure beds noted below is one such item.

- **In the Office of Youth Development, \$2.4 million in funding was transferred from secure beds to Contract Services to allow for the continuation of existing residential, group home, and shelter care programs.**

The number of youth being held in secure facilities was 1,474 in June 2001, 1,338 in June 2002, and 1,131 in March 2003. The department anticipates this declining trend to continue, and in an effort to shift juvenile offenders from secure facilities to community-based programs, has recommended the closure of 238 secure beds across the four secure facilities (including 84 positions). The reductions include 112 beds (3 dorms) at Swanson Correctional Center for Youth (SCCY)-Madison Parish Unit, 36 beds (1 dorm) at SCCY-Monroe, 40 beds (1 dorm) at Jetson CCY and 50 beds (1 dorm) at Bridge City CCY. Funds were transferred to the Contract Services Program to allow for the continuation of existing contracts for residential, non-residential group home and shelter care programs which must be renewed this year.

### **Public Safety Services**

- **\$7.1 million increase in State and Federal Funds for the State Police Crime Lab, DNA testing for a total of \$13.6 million.**

Total funding for the State Police Crime Lab was recommended at \$6.6 million. Of this, \$3.6 million was allocated for DNA, Combined Offender DNA Indexing System (CODIS), and Forensic cases. The House of Representatives provided \$650,000 from prior year surplus and Federal Funds were increased by \$2.4 million as the result of a "No Suspect" grant to address the backlog of unsolved cases. Act 487 of the 2003 Regular Session (Senate Bill 346) revised the law to require DNA testing of all arrestees and offenders convicted of any felony and some misdemeanor offenses. The amount of \$4 million State General Fund was added to fund this expansion of DNA testing requirements. FY 03-04 funding for the State Police Crime Lab totals \$13.6 million with \$10.7 million allocated specifically for DNA testing.

- **\$12 million transfer of Federal Funds for hazard mitigation and emergency projects as result of non-compliance with federal DWI laws.**

Because of non-compliance with federal DWI law requirements, the state is subject to penalties that transfer federal construction money to the Highway Safety Commission. Since FY 00-01, \$15 million in such Federal Funds has been transferred to the Highway Safety Commission. This \$12 million represents the Federal Fiscal Year 02-03 allocations to the Highway Safety Commission, which were transferred to DOTD for hazard mitigation and emergency projects. No state match is required for these projects



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## ECONOMIC DEVELOPMENT

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- **\$4.3 million in State General Fund is appropriated for the Louisiana Technology Park.**

The Technology Park is funded at the same level as in FY 02-03, which represents the fourth year of a seven-year state commitment. The Research Park Corporation has acquired Bon Carre', which is the development in which the tech park is located. This will not effect the Tech Park's operation but only improve the surrounding development. The park includes an advanced commercial data center, a high-tech business incubator, and a teacher computer training facility.

- **\$3.5 million in Statutory Dedications is appropriated for the Northrop Grumman/Avondale project.**

Funding represents the first year of a 20-year state commitment, which is a cooperative endeavor agreement between the Department of Economic Development, Department of Labor, Division of Administration, Louisiana Community and Technical Colleges System, and Northrop Grumman Ship Systems. Funds will be used as debt service on infrastructure projects.

- **\$800,000 in State General Fund and \$16.45 million in capital outlay funding is appropriated for the Louisiana Gene Therapy Consortium.**

The Louisiana Gene Therapy Research Consortium (LGTRC) was formed by a cooperative endeavor between Louisiana institutions of higher education to 1) increase gene therapy research, 2) increase jobs and training in bio-technology, and 3) to educate the public in genetics and gene therapy. This funding will provide for operating expenses during the first year of the new Good Manufacturing Process (GMP) gene therapy lab. There is an additional \$3.1 million in the Board of Regents for operating expenses. Capital Outlay funding includes: \$7.45 million in Priority 1, \$5.0 million in Priority 2, and \$3.995 million in Priority 5 bond funding.

- **\$500,000 in State General Fund is appropriated for the National Center for Security Research and Training.**

Louisiana State University recently created the National Center for Security Research & Training (NCSRT). NCSRT will work with other members of the LSU System, Louisiana state government, other Louisiana universities/colleges and with private industry to secure funding for research and training projects that will strengthen Louisiana's ability to respond to acts of terrorism and to allow Louisiana to remain one of the leaders in anti- and counter-terrorism research and training.

- **\$293,000 in State General Fund is appropriated for operating expenses of the New Orleans and Shreveport wet labs. \$18 million in capital outlay funding is provided for the Shreveport, Baton Rouge, and New Orleans wet labs.**

A capital outlay appropriation of \$18 million in FY 03-04 provides continued funding for the state to establish a network of three wet lab incubators in Shreveport, Baton Rouge and New Orleans. Included is \$4.73 million in Priority 1 and \$13.27 million in Priority 5 bond funding. The Baton Rouge wet lab will not be ready for operation until late 2004. Funding for start-up and operational expenses of the New Orleans wet lab is \$192,200 and Shreveport is \$100,550. Capital Outlay funding for FY 02-03 was \$30 million.

- **\$18.0 million in capital outlay funding is appropriated for the Acadiana Immersion Technology Center.**

The capital outlay appropriation provides funding for ACITC to develop and manage a technology center to support companies that are leaders in high technology, technology-related activities, commercial and government research, and educational activities. The center will be situated within a 400 acre University complex containing existing federal, state, and local research facilities, horticultural centers, parks, a domed arena, a convention center and an athletic facility in Lafayette. Included is \$2.0 million in Priority 2 and \$16 million in Priority 5 bond funding.

- **\$4.7 million in capital outlay funding is provided in State General Fund for EDAP (Opportunity Fund).**

These funds are for infrastructure projects to assist the state in securing business deals that would benefit economic development efforts.

- **\$2.32 million in State General Fund is appropriated for the Sugar Bowl, the Independence Bowl, the New Orleans Bowl and the NCAA Women's Final Four Championship.**

The Sugar Bowl is funded at \$1.1 million, the Independence Bowl is funded at \$375,000, and the New Orleans Bowl is funded at \$350,000, all three at the same level as in FY 02-03. New funding of \$500,000 is provided for the NCAA Women's Final Four Championship.

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## TOURISM AND CULTURAL DEVELOPMENT

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- **\$1.9 million is appropriated for the Louisiana Library Connection.**

These funds are used to increase Internet and database access in local libraries by using existing state fiber-optic networks to take advantage of telecommunications discounts available to libraries.

- **\$1.5 million is provided to maintain state aid to local libraries.**

These funds are used for acquisition of computer and telecommunications technologies by local libraries, including further automation of library operations. Funds may also be used for acquisitions of books, audiovisual materials, newspapers, and periodicals. This is the same level of funding as in FY 02-03.

- **\$5.8 million is appropriated for the Arts Program (\$4.7 million in State General Fund).**

These funds are used to support established arts institutions, nurture emerging arts organizations, assist individual artists, encourage the expansion of audiences, and stimulate public participation in the arts.

- **\$1 million in additional State General Fund is appropriated for the Louisiana Purchase Bicentennial celebration.**

In preparation for the Louisiana Purchase Bicentennial celebration, additional \$1 million in State General Fund has been appropriated, for a total of almost \$1.2 million in funding for FY 03-04. The funds will be used to underwrite Louisiana Purchase Bicentennial related activities and events throughout the state. Examples include exhibits, theatrical productions, re-enactments, and ceremonies.

- **\$1.6 million in additional State General Fund is provided for enhancements to state parks, historic sites, and welcome centers.**

These funds are used for the annualization of FY 02-03 park expansions at Lake D'Arbonne State Park, Audubon Historic Site, Poverty Point Reservoir State Park, and Caney Creek Lake State Park, and for FY 03-04 enhancements at Lake Bruin State Park, a new Visitor's Center at Longfellow, and increased park utility costs.

- **\$1.3 million in funding was restored for the continued operations of existing state parks.**

Funding that had been proposed for elimination in the Executive Budget for supplies, equipment replacement, and wages for summer jobs and seasonal workers at existing state parks was restored in order to maintain park operations at FY 02-03 levels.

- **\$2.5 million in capital outlay funding is provided for welcome centers.**

These funds will be used for expansion, planning, and construction of various state welcome centers, including Slidell, Mound, and Rapides Parish. Total funding includes \$270,000 in Priority 1, \$1.3 million in Priority 2, and \$0.9 million in Priority 5.

- **\$46 million is appropriated in the capital outlay budget for museums in the Department of Culture, Recreation and Tourism and the Secretary of State.**

These funds will be used for the planning, construction, repair, and improvement of various state and local museums, including \$7.9 million for the Louisiana State Capitol Park Museum, \$7 million for the Louisiana Sports Hall of Fame Museum, and \$6.7 million for renovation of the Old State Capitol. Total funding includes \$285,000 in State General Fund, \$13.8 million in Priority 1, \$6.5 million in Priority 2, \$8.6 million in Priority 3, \$2.1 million in Priority 4, and \$14.5 million in Priority 5.

- **\$112 million is included in the capital outlay budget for state parks and historic sites.**

These funds will be used for the planning, construction, repair, improvement, and acquisition of various state parks and historic sites. Funding includes \$4.9 million from the State Parks Improvement and Repair Fund for preventive maintenance, \$150,000 in State General Fund, and \$790,000 in Federal funding. Bond funding includes \$24.4 million in Priority 1, \$25.5 million in Priority 2, and \$56.3 million in Priority 5.

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## AGRICULTURE AND FORESTRY

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- **\$22 million in Statutory Dedications is appropriated for the Boll Weevil Eradication program for the sixth year in the Red River Region and the fifth year in the Northeast Region. After the five-year eradication period, the Boll Weevil Eradication Program reverts to a maintenance program. \$12 million from slot machine revenues is provided for debt service for the program.**

Of the \$22 million, \$18.7 is to be used for the Northeast Eradication Zone, and \$3.3 million will be used for the Red River Eradication Zone. For the Northeast Eradication Zone, \$8.7 million will come from farmers (\$15 fee per acre), and \$10 million will come from the proceeds of a bank loan from Hibernia National Bank. Of the \$3.3 million for the Red River Eradication Zone, \$1 million will come from the farmers (\$10 fee per acre) and \$2.3 million from the loan. There is also a total of \$12 million from the Pari-Mutuel Live Racing Facility Gaming Control Fund budgeted for debt service payment on this loan.

- **\$10.4 million in funding was restored, including 66 positions, which had been proposed for elimination in the Executive Budget.**

The Executive Budget proposed an 11% reduction in total funding for the Department of Agriculture and Forestry. An additional \$4.5 million in State General Fund was added back to the department's budget along with \$5.9 million fee increases in order to restore operations of the department.

The \$5.9 million in fee increases were generated from:

Act 523 (HB 1669) -	\$ 30,500
Act 117 (HB 1362) -	\$ 579,940
Act 172 (HB 1472) -	\$ 268,800
Act 173 (HB 1652) -	\$ 296,000
Act 123 (HB 1402) -	\$ 382,000
Act 122 (HB 1400) -	\$ 1,000
Act 143 (HB 1696) -	\$ 39,100
Act 134 (HB 1493) -	\$ 95,500
Act 175 (HB 1675) -	\$ 110,324
Act 118 (HB 1368) -	\$ 207,000
Act 139 (HB 1533) -	\$3,225,000
Act 120 (HB 1396) -	\$ 724,775
Act 121 (HB 1398) -	\$ 10,470

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## OTHER GENERAL GOVERNMENT

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### Executive Department

- **\$2 million increase in TANF funding for Private Pre-K Initiatives.**  
These funds will provide Pre-kindergarten services to at-risk four-year olds in parochial schools in New Orleans, Lafayette, Shreveport, and Baton Rouge through the Associated Catholic Charities. Total funding for FY 03-04 is \$8.5 million.
- **\$1 million provided to the city of New Orleans.**  
Provides funding for fire, police, sanitation, health, transportation, and traffic services associated with the presence of the official gaming establishment in the city of New Orleans.

### Elections

- **\$2.2 million in increased funding is appropriated for additional election costs due, which were left out of the Executive Budget proposal.**
- **\$25 million for implementation of the Help America Vote Act is appropriated in Federal funding.**  
Congress passed the Help America Vote Act (HAVA) of 2002 that provides one-time money to states in order to improve the election process and infrastructure. States have until January 1, 2004 to meet HAVA requirements, with a waiver until 2006 on voting machine upgrades.

### Natural Resources

- **\$315,103 is appropriated for the Ground Water Resources Commission.**  
A new division within in the Office of Conservation has been created to serve as staff for the Ground Water Resources Commission, as recommended by the Ground Water Management Commission's plan for the implementation of a comprehensive state water management system. The plan was a result of Act 446 of the 2001 Regular Session of the Legislature.
- **\$14.6 million is appropriated in the capital outlay budget for Atchafalaya Basin projects.**  
These funds will be used for various Atchafalaya Basin restoration and enhancement projects, with match provided by Federal, local and other funds (\$4.6 million in Priority 1, \$2 million in Priority 2, and \$8 million in Priority 5).

## **Environmental Quality**

- **\$5 million in additional state funding is provided for DEQ.**

To cover an increase in rent resulting from the move into the new Galvez Building, an additional \$5 million of State General Fund was appropriated to DEQ for a total of \$12.2 million in State General Fund. This increased funding satisfies commitments made to industry of additional state funding support in response to agreed upon fee increases that were passed in the 2002 First Extraordinary Session (Act 134). Those fee increases generate \$7.2 million for FY 02-03 and \$11.5 million for FY 03-04 and each fiscal year thereafter.

## **Wildlife and Fisheries**

- **\$2.6 million is provided for pay raises for Wildlife Enforcement Agents.**

\$1 million is appropriated in FY 03-04 to fund the annualization of a FY 02-03 10.5% rate adjustment for Wildlife Enforcement Agents. In addition, \$1.6 million is also appropriated to fund an additional rate adjustment for Wildlife Enforcement Agents for FY 03-04.

- **\$13 million in Federal funding is provided for disaster assistance and non-game species projects.**

Federal Funds have been appropriated to provide disaster assistance for shrimp fisheries (\$7.4 million), to the seafood industry (\$2.2 million), and for oyster reef rehabilitation and restoration projects (\$1.4 million). In addition, \$2 million in Federal funding is appropriated for projects involving non-game species.

- **\$10.3 million is provided in the capital outlay budget for wildlife land acquisition across the state** (\$4.3 million from Statutory Dedications; \$3 million in Priority 2, and \$3 million in Priority 5).

- **\$4.7 million in capital outlay funding for a marine fisheries laboratory.**

Funding from Federal Funds and Statutory Dedications is appropriated as supplemental funding for planning and construction of a new marine fisheries investigations and management laboratory in Grande Isle in order to conduct biological research.





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## BUDGET GROWTH

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### **Budget Growth from FY 95-96 to FY 03-04**

This summary compares budget growth over the eight-year period comprising the last two four-year terms.

*It should be noted that in order to encompass the entire period, actual expenditures for FY 95-96 are compared to appropriated amounts for FY 03-04 which compares two different points in the annual budget process. For a variety of reasons, agencies often do not spend all of the amounts appropriated to them; therefore, actual expenditures at the end of FY 03-04 could be less than these appropriated amounts. The beginning appropriation also does not include adjustments for funds carried forward from the prior fiscal year or the impact of budget adjustments that take place during the fiscal year. However, those deviations between "actual" and "appropriated" should not substantially affect the overall expenditure trends and priorities reflected below.*

During the past two terms of the Foster administration, the total state budget has grown by about \$5.2 billion, or an average of about 5.5% per year over the period. State General Fund growth was \$1.4 billion, an average of 3.5% per year. Growth in all State Fund Sources, including State General Fund, Self-generated revenues and Statutory Dedications was \$2.9 billion, an average of 5% per year. Federal Funds increased by more than any other individual funding source, growing by \$2.2 billion or an average of 6.6% per year.

#### **STATE BUDGET BY MEANS OF FINANCING (in millions)** (excludes double counting\*)

	Actual 1995-1996	Appropriated 2003-2004	Difference	% change
STATE FUNDS				
State General Fund (Direct)	\$5,089.7	\$6,518.9	\$1,429.2	28.08%
Fees & Self-gen. Revenues	\$883.2	\$1,246.7	\$363.5	41.15%
Statutory Dedications	\$1,484.1	\$2,639.8	\$1,155.7	77.87%
I.E.B. Appropriations	<u>\$3.7</u>	<u>0</u>	<u>(\$3.7)</u>	<u>(100.00%)</u>
Total State Funds	\$7,460.7	\$10,405.3	\$2,944.6	39.47%
FEDERAL FUNDS	<u>\$4,209.2</u>	<u>\$6,373.1</u>	<u>\$2,163.9</u>	<u>51.41%</u>
TOTAL STATE & FEDERAL	<u>\$11,670.0</u>	<u>\$16,778.4</u>	<u>\$5,108.4</u>	<u>43.77%</u>

\* Excludes double-counted amounts, such as Interagency Transfers and Fund transfers.

Of the \$5.1 billion in overall budget growth, the largest increases in spending were the following:

- Education funding grew by approximately \$1.8 billion. This includes increased funding of higher education of \$670 million, \$104 million for implementation of TOPS, and increased funding of over \$1 billion for K-12 education, including the MFP, teacher pay raises, accountability, and increased federal funding.
- Health care funding, including Medicaid, increased by about \$1.7 billion in both state and federal funds due to utilization and cost increases, particularly in pharmacy, and expansion of waiver services and other programs. Even with program expansions and increased costs, total Medicaid program growth averaged only 3.8% annually over the eight-year period.
- Transportation funding in DOTD and Capital Outlay increased by over \$300 million, largely due to increased federal transportation funding.
- Corrections and public safety-related spending grew by over \$330 million, including \$200 million for state correctional facilities, \$75 million for housing state prisoners in local jails (a 100% increase from FY 95-96), and increased funding for state police and local law enforcement salaries.
- Social Services spending increased by about \$300 million in federal funds, including \$117 million in increased spending for TANF initiatives from unobligated fund balances.

The listing below shows some of the significant increases that account for spending growth from individual funding sources.

• **State General Fund growth - \$1.4 billion**

Higher Education -	Louisiana is currently 2nd in the nation for the two-year Percentage Increase in higher education funding.
MFP -	\$560 million in SGF (total increase for the MFP including \$96.8 million from SELF Fund was \$660 million). Avg. teacher salaries have grown over \$9500 per year, a 35.5% growth (second only to North Carolina's 38% growth rate). FY 01-02 salary was \$36,328.
TOPS -	\$87 million (total of \$104 million including \$16.6 million from TOPS Fund)
Accountability -	over \$50 million
Health -	over \$200 million
Corrections -	over \$200 million
Supplemental Pay for local police & fire -	\$20 million
State police salary increases-	\$20 million
Crime lab & DNA testing -	\$13 million

- **Fees & Self-Generated Revenues - \$366 million**

Higher Education -	\$130 million due to fee and tuition increases and enrollment growth.
DOTD -	Over \$20 million
Revenue -	\$25 million

- **Statutory Dedications - \$1.2 billion**

SELF Fund -	\$136 million dedication of revenue from land based casino and portion of riverboat revenue for pay increase for Teachers (\$97 million) and College Faculty (\$39 million)
Higher Education -	\$58 million from other Statutory Dedication increases
DHH -	\$150 million from tobacco funds, provider fees and nursing home IGT fund
Capital Outlay -	over \$200 million increase primarily from TTF and TIMED funds from TOPS Fund)
DOTD -	\$100 million from TTF
Natural Resources -	\$40 million
DEQ -	\$50 million
Labor -	\$55 million

- **Federal Funds - \$2.2 billion**

DHH -	\$1.3 billion (Includes federal fiscal relief match increase)
DSS -	over \$300 million (Includes \$117 million in TANF initiatives)
Dept. of Education –	over \$270 million
Higher Education -	\$64 million
Natural Resources -	\$35 million for coastal projects and from Federal Energy Settlement funds



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## TERM ACCOMPLISHMENTS

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### K-12 EDUCATION

- Over the past four years state funding for public schools through the Minimum Foundation Program (MFP) has grown by \$305 million, a 13.7% increase.
  - Included in the MFP increase is \$196 million for teacher and certificated personnel pay increases, \$19 million for support worker pay increases, and \$90 million for unrestricted use by school systems.

Over the past eight years, state funding of the MFP has grown by \$660 million, a 35% increase. More than 61% of the increase in state funds has been targeted to increasing teacher and certificated staff salaries.

- The actual 01-02 Louisiana Average Teacher Salary is \$36,328.
  - Since FY 99-00, Louisiana Average Teacher Salaries have grown \$3,219 from state and local pay raises, a 9.7% growth rate.
  - Since FY 95-96, Louisiana Average Teacher Salaries have grown \$9,528 from state and local pay raises, a 35.5% growth rate, second only in the south to North Carolina's 38.1% growth rate.
  - Louisiana's FY 01-02 Average Teacher Salary is 91.4% of the southern average, whereas in FY 95-96, Louisiana was at only 83% of the southern average.
- Classroom Technology funding has received \$12.5 million during the past four years and \$89.7 million over the past eight years. The pupil to computer ratio has improved from 88:1 in 1996 to 7.4:1 in 2001.
- K-3 Reading and Math has received \$55 million during the past four years and has provided 310,000 K-3rd Grade students with targeted assistance.
- Since FY 97-98, K-3rd Reading and Math has received \$125 million and has served more than 460,000 K-3rd Grade students.
- The School and District Accountability System has received more than \$176 million during the past four years and is currently funded at \$52 million. The Accountability System has received more than \$205 million during the eight years of the Foster administration.

- The LA4 Program is a TANF-funded Prekindergarten program for four-year olds. LA4 has received a total of \$82 million since FY 01-02 and has served approximately 15,000 at-risk children with high-quality early childhood education. FY 03-04 funding is \$39 million.
- Type 2 Charter Schools (these charter schools receive no local funds) have received \$62 million during the past four years.
- Since FY 98-99, Type 2 Charter Schools have received \$71 million and have served approximately 9,741 students.
- The Tuition Opportunity Program for Students (TOPS) tuition awards for students has received approximately \$399 million during the past four years (approximately \$100 million per year) and has provided 153,000 awards.
- During the past eight years, TOPS, including its forerunners TAP and Honors, has received \$552 million. The TOPS awards have provided more than 205,000 awards since FY 98-99.
- Teacher Supplies benefited from \$23.5 million nonrecurring funds in FY 97-98 and FY 98-99.

## **HIGHER EDUCATION**

- During this four-year term, from FY 00-01 through FY 03-04, the total State General Fund budget for higher education increased by about \$163 million or 18.8%.

Over the past two terms, from FY 96-97 through FY 03-04, the State General Fund appropriation for higher education has increased by about 57% or \$377 million.

- In the United States, Louisiana continues to rank in the top 25 states for the percentage of total State General Fund expended on higher education.

With TOPS funding included, Louisiana ranks in the top 20 states nationally for per capita State General Fund expended on higher education.

Louisiana currently ranks second in the nation for the two-year percentage increase in higher education funding.

- Funding for Formula Enhancement and the Performance and Quality Improvement Pool for higher education received about \$38.6 million in State General Fund from FY 00-01 through FY 03-04 and over \$85 million over the past eight years.

- The LSU Health Sciences Center received an increase in State General Fund appropriations of about \$46 million from FY 96 through 00 and \$50 million from FY 00-04.
- Community and Technical College Development received an additional \$20 million in recurring State General Fund over the past four years. Total funding for such development over the past eight years is \$47 million.
- The Governor's Information Technology Initiative received \$17.5 million in recurring State General Fund each year and an additional \$15 million in nonrecurring funds from FY 00-01 through FY 03-04.
- During this term, Pennington Biomedical Research Center received an additional \$4.1 million in State General Fund after having an appropriation of about \$5 million for over 10 years.
- Bio-technology and health care workforce development received \$6.7 million during this term.
- Mandated costs, including risk management, classified employee merit increases and Group Insurance benefits received an additional \$64.8 million in the last four years.
- Higher education institutions received a little over \$61 million in non-recurring funds for library, instructional, and scientific acquisitions during this term.
- Through gaming revenues dedicated to the Support Education in Louisiana First Fund (SELF), higher education has received \$38.7 million in Statutory Dedications for faculty pay increases during the past four-year term. Faculty pay increases have totaled \$113 million over the past eight years.
- Significant funding accomplishments in higher education during the two terms are the following:

	<b>Amount of increase (in millions)</b>	
	<b><u>1996-2000</u></b>	<b><u>2000-2004</u></b>
➤ Faculty pay increases	\$ 74.0	\$ 39.0
➤ Operational and Performance and Quality Pool Enhancements	\$ 46.6	\$ 38.6
➤ Community and Technical Colleges	\$ 27.4	\$ 20.0
➤ Increases in Fees & Self-generated Revenues	\$ 39.0	\$ 133.0
➤ Group Insurance premiums	NA	\$ 31.7
➤ Classified employee merit increases	NA	\$ 21.1
➤ Governor's Information Technology Initiative	NA	\$ 17.5
➤ Governor's Bio-Technology Initiative and Health Care Workforce Development	NA	\$ 6.7
➤ LSU Health Sciences Centers	\$ 46.0	\$ 50.0

## **PUBLIC SAFETY AND CORRECTIONS**

### **Corrections Services**

- While the growth in adult and juvenile prison populations has required additional resources, the past four years have actually demonstrated a slowing in the growth of these populations when compared to the previous four years.
  - Total state inmate population for FY 03-04 is projected at 35,600, of which 18,600 are in state facilities and 17,000 are housed in local jails.
  - Over the past eight years, total state inmate population increased by 10,600, including an increase of 8,400 state prisoners housed in local jails.

From FY 95-96 to FY 99-00, total state inmate population increased by about 8,300.

- State Correctional Centers beds increased by about 2,000.
- The number of state inmates in local jails increased by about 6,300.

From FY 99-00 to FY 03-04, total state inmate population grew by only 2300.

- State Correctional Center beds increased by about 250.
- The number of state inmates in local jails grew by about 2100.

- Costs for sheriffs housing of state inmates in local jails increased by \$81.5 million over the past eight years.
  - From FY 95-96 to FY 99-00, sheriffs housing costs grew by \$60.9 million, including \$10.3 million for an increase in per diem from \$21 to \$23. (In FY 01-02 the per diem was reduced to \$22.39.)
  - From FY 99-00 to FY 03-04, costs increased by \$20.6 million.
- Continued efforts to address the serious turnover problem with correctional security and probation and parole officers included \$26.9 million for base salary adjustments over the past eight years.
- In October of 1998, the U.S. Department of Justice and private plaintiffs alleged deficiencies in the educational services, (medical and) mental health services and physical safety provided in the secure juvenile facilities. The department negotiated a settlement agreement to resolve these issues and \$35 million has been provided to implement the agreement.



## **Public Safety Services**

- In FY 02-03, State Police were granted salary increases totaling \$15.6 million financed by the dedication of a portion of increased tobacco taxes.

This was in addition to a base salary adjustment with an annualized cost of \$4.6 million provided in FY 98-99, bringing total State Police salary increase funding over eight years to \$20.3 million.

Cadet salaries increased from \$21,778 to \$31,304. The salary paid upon graduation to trooper increased from \$24,102 to \$34,206.

- In the past four years, \$10.7 million in State General Fund and Federal Funds has been provided for DNA indexing and forensic analysis of convicted offenders and arrestees and offenders convicted of felony offenses for inclusion in the national Combined Offender DNA Indexing System (CODIS) database. An additional \$3 million funded other State Police lab activities.
- In FY 00-01, the Office of Motor Vehicles began a major reorganization and technology upgrade funded with \$17.7 million in State General Fund and Statutory Dedications, including the establishment of a toll-free hotline.
- Due to the State's non-compliance with Federal DWI requirements, over the past four years \$27 million in Federal Highway Construction Funds have been withheld from construction funding and transferred to the Highway Safety Commission for hazard mitigation and emergency projects. These projects, which do not require a state match, are administered by the Department of Transportation and Development.
- Over the past eight years, \$13 million in enhanced funding from Statutory Dedications (Land based and Riverboat Gaming revenues) was provided to establish the Gaming Control Board, as well as expand gaming enforcement activities in the Office of State Police and the Department of Justice.

## **Homeland Security**

- \$12.0 million SGF and \$63.6 million Federal Funds for Homeland Security Efforts, including the establishment of a state Office of Homeland Security. Includes funding to local governments for "First Responder" equipment and training, as well as state and local bioterrorism and other homeland security initiatives.

## HEALTH AND HOSPITALS

### **Medicaid**

- The state has continued to increase coverage for women and children, especially for primary care and maternity related health services.
  - Since the creation of LaCHIP in FY 98-99, enrollment of children has increased by over 276,000, of which some 214,000 occurred the past four years.
  - This has been accomplished through full implementation of LaCHIP to 200% of the Federal Poverty level, combined with an aggressive outreach program.
  - This effort has improved access and helped constrain costs by giving children access to primary and preventive care in their home communities.
  - Primary care has also improved with the implementation of CommunityCARE, which provides eligible children with a primary care physician “home”.
- Continued increase in community based services over the past four years, including:
  - 325 new MR/DD waiver slots
  - 1,550 new Elderly/Disabled waiver slots
  - Personal care attendant services as a statewide Medicaid (entitlement) service
  - Services available and provider reimbursement rates in these areas have also improved.
- Managing the overall cost of the Medicaid program:
  - Despite these increases in coverage and services, overall Medicaid growth has been relatively low.
  - Payments for health care services have grown from \$3.46 billion to \$4.5 billion in FY 03-04, an average growth of 6.8%.
  - However, over the eight year period from 1996-97, when total Medicaid spending for services was \$3.35 billion, Medicaid growth has averaged only 3.8% annually.
- Other changes have focused on financing. Medicaid has undergone a major transformation when compared to the early 1990’s by ending dependence on federal disproportionate share revenue to finance the state’s share of Medicaid. During this period, the State General Fund commitment to Medicaid has increased, but the state has also created additional financing mechanisms, including fee increases and contributions from public hospitals and nursing homes.

Significant financing options include:

- DHH has utilized \$40 to \$70 million a year in public hospital participation/ contributions to generate state match. In FY 03-04, this amount will be over \$340 million with the use of the 175% DSH overpayment option for state hospitals.
- DHH has also fully implemented a Nursing Home IGT, which has generated over \$900 million in Federal Funds for the state, of which \$850 million is now in a trust fund.

### **Charity Hospitals**

- Building on the transfer of the Charity hospitals to LSU in 1997 and the creation of the LSU Health Care Service Division (HCSD) system, LSU now has near-exclusive control and oversight of this nine-hospital system. The system expects to continue its efforts compete for paying patients while serving as a health care center for the medically indigent.
- During FY 01-02, HCSD completed a merger between its Washington St. Tammany Hospital and Bogalusa General Medical Center
- The system has implemented several new programs for disease management. These have reduced costs for treatment and improved the quality of life for those in the programs.

### **Public Health**

- The ChildNet Program transferred to OPH in FY 02-03. In FY 03-04, OPH has consolidated the delivery of services and accessed an additional \$8 million from federal Medicaid Funds. Federal monitoring reports that revealed significant shortcomings in the program prompted its transfer from the Department of Education in FY 02-03.
- Bioterrorism initiatives in response to 9/11/01 resulted in an upgrade in laboratory and emergency preparedness staffing in OPH. Over \$10 million has been devoted to this effort during the past three years.
- School-based health clinics have continued to expand. Expenditure for this function has grown to almost \$7.4 million, an increase of 35%, with over 52 clinics statewide by the end of FY 03-04
- The Nurse Home Visitation Program for first-time low income mothers, which began in FY 98-99 now provides services through a network of 71 nurses operating in all nine DHH regions. Total expenditures will exceed \$4 million in FY 03-04.
- Environmental services, especially for monitoring, protecting, and improving water quality have increased by almost 70% in the past four years to over \$27.5 million in FY 03-04.
- During the past eight years services for HIV/AIDS prevention and care services have been substantially expanded.
- In keeping with the emphasis on primary and preventive care, the Office of Public Health has undertaken a shift from parish health units with limited health care services to locally-managed primary health care centers that provide a more comprehensive set of health care services.

### **Mental Health**

- Mental Health services were reorganized on a regional basis to better integrate community and hospital-based services. This reorganization also allows greater use of Medicaid revenue for outpatient services.
- Better drug therapies and more outpatient services allow more patients to be treated in a community based setting. Most inpatient expansions have been to improve forensic services for those who have been committed to treatment through the judicial system.

### **Developmental Disabilities**

- Care and services for the Developmentally Disabled continue to shift to community-based services. This has been accomplished through several waiver programs, along with a gradual reduction of the population in state institutions that care for the disabled. The number of persons served in the MR/DD waiver program has increased from 3,600 to over 4,500. The Children's Choice waiver program serves over 600 children. Developmental centers have also shifted their priorities and are providing more community-based services for persons who can succeed in a community setting. More than \$5.5 million is available for these community services in FY 03-04.

### **Addictive Disorders**

- OAD has continued to expand its services for compulsive gambling victims. Funding for these services has increased from \$450,000 in FY 96-97 to \$1.5 million in FY 99-00 and has now reached a total of \$3 million. In addition to a problem gambling hotline, OAD now offers both outpatient and inpatient treatment services.
- Using TANF funds, OAD has expanded non-medical substance abuse services for women with dependent children, with \$3.4 million appropriated for these services in FY 03-04.
- Drug Court related activities have increased from \$5.5 million to almost \$11.2 million during the past four years. The program is now funded and managed by the court system, but OAD continues to provide many of these substance abuse services.
- OAD has benefited from the Tobacco Tax Health Care Fund, from which it receives a share of a new 12¢ per pack tax imposed in FY 02-03. These revenues apply to its overall operating expenses.

## **SOCIAL SERVICES**

- During the first four-year term over \$11 million was provided for an increase for Foster Family and Adoption subsidy board rates, additional foster care and child investigation positions, and 42 therapeutic foster placements and community support services for children with multiple disabling conditions.

### **Welfare Reform**

- In response to Federal enactment of Welfare Reform in 1996 and recent Federal changes, such as increased work requirements, in the Temporary Assistance to Needy Families (TANF) program, Louisiana has modified its welfare delivery service. Act 58 of the 2003 Regular Session created the Strategies to Empower People (STEP) Program, which replaced the FINDWORK Program. STEP emphasizes a case management approach within DSS and directly involves the Workforce Commission and the Department of Labor in an effort to move people from welfare to work.
  - The federal TANF changes along with the discovery in FY 00-01 of a \$197 million block grant balance allowed the state to expand initiatives and to create many new initiatives. However, in FY 03-04 almost all of the remaining balance will be spent; thus many initiatives may be eliminated in the following year.
  - With the increased work requirements and the successful initiatives, the welfare rolls have continued to decline. Since FY 00-01 Louisiana has had a 20% decrease in the average number of welfare (FITAP) recipients.
  - \$21 million for the FINDWORK program to fulfill federal work participation requirements.
  - Over \$8.5 million for the Electronic Benefits Transfer (EBT) System, which is used to deliver welfare cash and food stamp benefits. EBT has reduced administrative costs and enhanced the ability to detect and investigate fraud.

### **Performance Bonus**

- Since FY 01-02 the Office of Family Support has received \$18.6 million in Federal Funds for exceptional performance in the areas of child support enforcement and food stamp error rate. Funds have been used for IT projects, one-time salary adjustments, district attorney expenses, and other projects related to child support enforcement and food stamps.

### **IT Projects**

- Over the past eight years, approximately \$23 million has been provided for IT projects for social service programs (\$15 million in the past four years). ACCESS, the most recent project, will provide DSS with a single integrated computer system that will permit all employees to share information among the four offices.

## **TRANSPORTATION**

- TIMED highway projects will be accelerated by using a private, design-build contractor, and by using more bond financing. Some \$275 million in new TIMED bonds were sold in FY 02-03. DOTD expects this approach to dramatically shorten the time required to complete the remaining TIMED program projects. In 1998, the legislature continued the 4¢/gallon fuels tax until these projects are completed or bonds are repaid.
- DOTD has successfully automated many of its maintenance management and other processes, including weigh-in-motion, over-size, over-weight vehicle permitting and routing, and statewide pavement tracking and maintenance management.
- DOTD has substantially improved its capacity to complete highway and other projects in a timely fashion even though its staffing level has declined over the past eight years.
  - Using cash management techniques and making use of increased Federal Funds received during the past four years, DOTD has increased highway projects programmed from \$490 million in FY 99-00 to \$680 million in FY 03-04.
  - Preventive maintenance and hazard elimination programs have been dramatically expanded.
  - DOTD successfully implemented a department-wide reorganization, and it has reduced its positions by some 335 since FY 95-96. Its operating budget has grown by about only 3.1% annually over the past eight years.

## **PUBLIC SERVICE**

- Act 40 of 2001 Regular Session created the “Do not Call Program”. Residential telephone customers who do not wish to receive telephone solicitations must notify PSC and submit a \$5 listing fee, which is good for five years. At the end of five years the customer must renew their listing and submit another \$5 fee. Those subscribers who have previously requested that their number be listed as private will automatically be placed on the “do not call” at no charge. PSC provides the list to solicitors for a fee. If a solicitor is found to have called a subscriber on the list, a penalty not to exceed \$1,500 is possible. There is \$3,000 penalty for each violation committed against subscribers over age 65.

## **TOURISM AND CULTURAL DEVELOPMENT**

- Substantial commitments have been made to improve and enhance state parks, museums, and other tourism-related facilities in both the operating and capital budgets.
- The operating budget for State Parks has increased by over 150% during the past eight years for a total budget of \$22.9 million for FY 03-04. This equates to a \$6.7 million increase from FY 95-96 to FY 99-00 and a \$7.1 million increase from FY 99-00 to FY 03-04. The number of employees has also increased from 218 in FY 95-96 to 351 for FY 03-04. At least \$112 million in capital improvements are also budgeted for state parks.
- Tickfaw State Park opened in May 1999, Rosedown Plantation State Historic Site was added in November 2000, Poverty Point Reservoir State Park was acquired in November 2002, and various other facilities have been incorporated into the state system. In addition, a toll-free reservation system was created in January 2000.
- In November 2001 the Audubon Golf Trail opened to promote Louisiana as a golf destination by developing a public/private partnership with seven courses throughout the state. To date over \$2.1 million has been expended to develop a phone and online reservation system and to market Louisiana and the Audubon Golf Trail.

## **ECONOMIC DEVELOPMENT**

- Approximately \$25 million over the past four years (\$42 million over the past eight years) has been provided for the University of New Orleans/Avondale Center of Excellence. Technology developed at this facility will be used to support Avondale in the construction of Navy submarines and will permit UNO to help shipbuilders enhance their computer design technology to improve ship design and manufacturing efficiency.
- \$28 million over the past four years (\$61 million over the past eight years) has been provided for the U.S. Naval Information Technology Center at the University of New Orleans Research and Technology Park. This Center houses the expanded functions of the human resource information systems for the Navy and the Department of Defense. The project has created approximately 1,500 jobs with average salaries ranging from \$40,000 to \$60,000.
- FY 03-04 is the first year of a 20-year cooperative endeavor agreement between Northrop Grumman Ship Systems and DED, the Department of Labor, the Division of Administration, and the Louisiana Community and Technical Colleges System. \$3.5 million has been provided for the Northrop-Grumman/Avondale project. Funds will be used as debt service on infrastructure projects.

- \$1.5 million was provided for the reorganization of the Department of Economic Development in support of Vision 2020. DED has restructured its economic development process by implementing the "clustering" concept. An industry-based economic development model, clusters are networks of compatible or competitive inter-related companies working together to strengthen the industry market by building linkages among firms facilitating specialization for the state. Louisiana has identified nine industries such as Energy/Oil & Gas, Information Technology, Entertainment, Petrochemical, Agriculture, and Biotechnology to target this approach.

#### **Technology-based economic development**

Since the FY 99-00 implementation of Vision 2020, Louisiana's comprehensive strategic plan for economic development, the state has made several efforts to create a technology-based environment to ensure promotion of a more diversified economy.

- \$2 million for "E-readiness" Initiatives for the department, which include web refresh, development of a standard risk/benefit process, simplification and automation of performance measures, and to provide online access to building/site information.
- Over \$14 million since FY 99-00 for the Louisiana Technology Park in Baton Rouge, which includes an advanced commercial data center, a high-tech business incubator, and a teacher computer training facility.

#### **Economic Development Award Program/Opportunity Fund**

- In the past four years, over \$30 million has been provided for infrastructure projects to assist the state in securing business deals that would benefit economic development efforts. Over the past eight years, EDAP funding has totaled over \$60 million.

### **LABOR**

- Under the Economic Stimulus Package passed by Congress in March 2002, Louisiana received a distribution of \$105 million in Reed Act funds. So far the department has been appropriated \$36.5 million for the redesign of the Unemployment Insurance Tax and Benefits System, enhancement and upgrade of technology infrastructure, and staff training and professional development.

#### **Incumbent Worker Training Program**

- Since FY 97-98 approximately \$250 million has been appropriated for the Incumbent Worker Training Program. Funds have been used to award over 300 contracts to provide customized training to thousands in Louisiana's business and industry.

#### **Welfare to Work**

- During the last term over \$50 million has been provided to aid hard-to-serve recipients with their transition into the workplace.



### **Occupational Information System**

- Over the past eight years 9.8 million and 134 positions has been provided for OIS, which is designed to compile data for workforce development from all training programs within various state departments and provide consumer information on all training programs available in Louisiana.

## **GENERAL GOVERNMENT**

### **Louisiana Commission on Law Enforcement**

- Funding of approximately \$3.5 million for the Drug Abuse Resistance Education Program (D.A.R.E) was secured as a result of dedication of a portion of the increased tax on cigarettes from 24 to 36 cents per pack.

### **Veterans Affairs**

- Southwest Louisiana War Veteran's Home is scheduled to open in April 2004 and an additional \$16 million in state funding is budgeted for the planning and construction of two additional Homes in St. John the Baptist and Bossier Parishes, as well as a State Veteran's Cemetery in Caddo Parish.

### **Supplemental Pay**

- In 2001 the Legislature demonstrated a commitment to local law enforcement by passing a constitutional amendment requiring the governor to include full funding of state salary supplements for full-time local law enforcement and fire protection officers in his annual budget estimate. Beginning July 1, 2003, the legislature is to appropriate monies sufficient to provide for payment of such salary supplements.

### **Information Technology Initiatives**

- Under the Foster administration, \$18.9 million in State General Fund and Fees and Self-generated Revenues has been provided for Information Technology initiatives, including the creation of the Office of Information Technology. The main function of the OIT is to coordinate IT purchases to obtain equipment that is functionally compatible across agencies as well as to achieve cost efficiencies through consolidated purchasing.

### **Youth Challenge Program**

- Over the past eight years, \$21 million in State General Fund and Federal Funds has been appropriated to the Department of Military Affairs for the operations of the Youth Challenge Program/Carville Facility. HR 2264 of the 1997 U.S. Congress transferred ownership of Gillis W. Long Hansen's Disease Control Center in Carville, Louisiana to the state of Louisiana. Beginning in 1999, the state began the expansion of the Youth Challenge Program at Carville Academy which aids high school dropouts in acquiring life enhancing and employable skills. Participants are aged 16-19, unemployed, drug-free, and free from serious involvement with the legal system. The program consists of a five-month residential training program and twelve-month post-residential mentor phase. In 2000, a job training component known as "Job

Challenge" was added and in 2001, the program was further expanded with the establishment of Camp Minden in Webster Parish.

### **Agriculture**

- A five-year Boll Weevil Eradication Program began in FY 98-99. A commitment of \$8 million per year in state funds and revenues from a \$15 per acre fee paid by farmers has supported a bank loan financing for a total program of \$96 million.
- Due to the effectiveness of the Boll Weevil Eradication Program, farmers are voting by referendum to implement a new maintenance program that takes effect after the initial five-year eradication program. The maintenance program will be funded by a \$6 per acre fee paid by the farmers and part of the proceeds from a \$22.5 million bank loan approved by the Bond Commission in February 2003, which is backed by \$4 million from the Pari-Mutuel Live Racing Facility Gaming Control Fund.

### **Elections**

- The Department of Elections and Registration will be merged into the Department of State in January 2004. Consolidation of the two departments' computer systems and elimination of the duplication of functions and responsibilities in each office are expected to result in savings beginning FY 04-05.

### **Natural Resources**

- From FY 00-01 through FY 02-03, the DNR Coastal Restoration Division constructed 63 projects, benefiting 68,320 acres of land, at a cost of \$206 million. Most significant was the opening of Davis Pond in March 2002, the \$120 million project that diverts fresh water from the Mississippi River and is designed to protect more than 700,000 acres of wetland habitat. Between FY 96-97 and FY 99-00, 139 projects were constructed with 29,969 acres benefited at a cost of \$125 million.
- The Atchafalaya Basin Master Plan for preservation and enhancement of natural resources throughout the basin was implemented in 1999 with \$85 million in funding authority from the state, in addition to \$250 million in earmarked Federal Funds to be used over 15 years. Currently, 56 active contracts for projects are underway. Lake End Park, Belle River Landing, Marshfield Landing, and Spanish Lake improvements projects have been completed. In 2002, aiming to improve basin fishing and recreation, some 25,000 Florida strain bass fingerlings were released for reproduction. Also, in partnership with DOTD, construction of a \$5 million Welcome Center at Butte LaRose began in 2003.
- In 1998 industry and business, government, and the public were introduced to the DNR SONRIS 2000 computer information system. At a total cost of \$6 million, this nationally recognized, award-winning data and GIS-image system allowed for mineral resources records and oil and gas information to be obtained on-line for easy, fast, and efficient accessibility. Important geological data on 150,000 well logs and over 3.2 million document images have been made available over the Internet.

### **Revenue and Taxation**

- The FY 01-02 Tax Amnesty (created by HB 992 of 2001) resulted in a dramatic increase in delinquent and disputed tax collections. The department collected more than \$190 million from this effort, the most successful amnesty program ever conducted.
- Electronic payment of taxes has been successfully implemented for large and medium business taxpayers. Electronic funds transfers now accounts for almost two thirds of business tax payments. Electronic filing has also been introduced and is growing rapidly for business and personal taxpayers.
- With spending of only about \$50,000 per year, the Tax Commission has substantially increased the electronic filing of assessment data. In FY 03-04, 50 assessors should file their tax rolls, and 37 will file their change orders electronically, compared to only 21 who made e-filings when this effort began in 1998-99.
- After a failed contract with IBM to redesign its tax collection software, the Office of Revenue entered into a contract with another vendor in FY 01-02. Total expenditure on the new contract by the end of FY 03-04 is projected at \$10.3 million. The expected completion date for the project is FY 04-05.
- Since its transfer from Public Safety to Revenue, the Office of Alcohol and Tobacco Control has increased its personnel from 43 to 75 and its expenditures from \$1.9 million in 96-97 to almost \$5 million for FY 03-04. Through more inspections, compliance checks and a more professional policing approach, it has reduced non-compliance on underage sales of alcohol from 66% in 1998 to an expected 10.5% in FY 03-04. New activities to reduce tobacco sales to minors have also been successful, reducing non-compliance from 22% in 1998 to an expected 6.5% for FY 03-04.

### **Wildlife and Fisheries**

- From 2001 to date, the State has acquired 75,700 additional acres in the Wildlife Management Area system. Between 1997 and 2000, 14,300 acres were also acquired for a total of 90,000 additional acres.
- From 2001 to date, the number of artificial reefs in the Gulf has increased by 24 with \$3 million in donations to the Artificial Reef Development Fund. In addition, since 1997 there has been a total of 54 new reefs and over \$8.9 million in donations to the Artificial Reef Development Fund.

## **LEGISLATION OF FISCAL INTEREST**

### ***2000-2003 Regular and Extraordinary Sessions***

#### **Supplemental Pay**

- Amended the Constitution of Louisiana to require full funding of the \$300 per month state salary supplements to full-time local law enforcement and fire protection officers beginning July 1, 2003. Requires the governor to include full funding of such state salary supplements in his annual budget estimate. Requires the legislature to appropriate monies sufficient to provide for such payments and requires a 2/3 vote of each house to reduce payments. (Act 1234 of 2001 1<sup>st</sup> E.S., HB 485)

#### **Government Organization**

- Merged the Department of Elections and Registration and the Department of State. The commissioner of elections will be appointed by the secretary of state, subject to Senate confirmation. (Act 451 of 2001 1<sup>st</sup> E.S., HB 18)

#### **Nursing Home IGT Program**

- Established the Medicaid Trust Fund for the Elderly from money received by the state for the Nursing Home Intergovernmental Transfer Program. The principal in the fund cannot be appropriated except to fund re-basing of nursing homes, a case mix reimbursement system for the Medicaid nursing home program, and program implementation costs. Interest earnings can be used to fund the state Medicaid program. (Act 143 of 2000 R.S., SB 71)

#### **Lottery Proceeds Fund**

- Passed a Constitutional Amendment requiring that, except for \$500,000 annually for the Compulsive and Problem Gaming Fund, all lottery proceeds must be appropriated to support the Minimum Foundation Program (MFP) thus putting longstanding practice in the Constitution. (Act 1305 of 2003 R.S., HB 583 – Constitutional Amendment)

#### **Coastal Restoration**

- In the 2003 Regular Session, the Legislature passed three constitutional amendments relative to coastal restoration efforts:
  - 1) Adds Wetlands Conservation and Restoration Fund (Wetlands Fund) as an authorized use of monies designated as nonrecurring. Increased cap on mineral revenues in the Wetlands Fund from \$40 million to not less than \$500 million. Provides that \$35 million annually from the Mineral Revenue Audit and Settlement Fund be deposited in the Wetlands Fund and authorizes additional

appropriation from that fund to the Wetlands Fund. (Act 1302, SB 214 – Constitutional Amendment; Act 1195, SB 568 – Implementing Legislation)

- 2) Establishes the Louisiana Coastal Restoration Fund which will receive up to 20% of proceeds from securitizing any of the remaining 40% of revenues from the Tobacco Settlement Agreement, but only the amount necessary to match Federal funds for coastal restoration. (Act 1300, SB 213 – Constitutional Amendment; Act 1192, SB504 – Implementing Legislation)
- 3) Authorizes the legislature to place limitations on the extent of recovery for the taking of, or loss or damage to, property rights affected by coastal wetlands conservation, management, preservation, enhancement, creation, or restoration activities. (Act 1295, HB 424 – Constitutional Amendment)

### **Tobacco Securitization**

- Authorized the securitization (sale) of all or a part of the remaining 40% of revenues to be received by the state pursuant to the Master Settlement Agreement if approved by the State Bond Commission, Joint Legislative Committee on the Budget, and the legislature, either in session or by mail ballot. All proceeds shall be deposited in the Millennium Trust Fund except for an amount necessary to provide sufficient monies to fund the appropriations from the Louisiana Fund for that fiscal year. (Act 1136 of 2003 R.S., HB 1819; Act 1210 of 2003 R.S., SB 1025)

### **DNA Testing**

- Required that any person arrested for a felony or convicted or pleading guilty to a felony on or after September 1, 1999 shall have a DNA sample drawn. The provision also applies to juveniles for a felony-grade delinquent act and to any person convicted or who has plead guilty to a felony before September 1, 1999 still serving a term of confinement in connection with such felony. Provides for a DNA sample to be drawn from the body of any person who dies as a result of being a victim of a crime of violence. (Act 487 of 2003 R.S., SB 346)
- The House of Representatives also provided \$650,000, from funds previously appropriated to the House, to help eliminate the backlog of DNA analysis of rape test kits and no-suspect forensic cases. (Act 64 of 2003 R.S., HB 1875)

### **Budget Reduction Authority**

- Authorized the governor to reduce up to 5% of constitutional dedications and allocations and statutory funds to address a budget deficit in the following circumstances:
  - 1) During a fiscal year with approval of Joint Legislative Committee on the Budget, if a deficit is projected and reductions of 0.7% total State General Fund appropriations have already been made.
  - 2) In development of the budget for the upcoming fiscal year, if the official revenue forecast for the next fiscal year is at least 1% less than for the current fiscal year.

Exempts bond debt payments, parish severance tax and royalty allocations, state retirement contributions, (8g) trust fund, and principal in Millennium Trust. Limits reductions to the Minimum Foundation Program to 1%.

Also limited the governor's unilateral budget cutting authority from 10% of any fund in deficit to 3%.

(Act 1236 of 2001 R.S., HB 507 – Constitutional Amendment; Act 1063 of 2001 R.S., HB 1019 – implementing legislation)

### **Public Contracts**

- Requires that any cooperative endeavor agreement or other agreement expending, directly or indirectly, any state funds used as security for bonds, notes, certificates or other obligations for repayment of borrowed money, whether taxable or tax-exempt, shall be subject to State Bond Commission approval. (Act 224 of 2003 R.S., SB 591)

### **Economic Development**

- Revised the Louisiana Quality Jobs Program Act to provide quarterly rebates to qualified employers who execute rebate contracts with the Dept. of Economic Development. The Act repeals the "basic industry" approach of current law and requires employers to fall within certain specific categories in order to qualify for a contract. Increases the employer-paid health insurance premium requirement and increases the benefit rate upon which the rebate is based to the following percentages:
  1. For new direct jobs created which pay at least 1¾ times the federal minimum hourly wage, the benefit rate is 5%.
  2. For a benefit rate of 6%, the employer's new direct jobs created shall pay at least 2¼ times the federal minimum hourly wage and meet certain specified criteria.

(Act 153 of 2002 1<sup>st</sup> E.S., HB 144)

- Created the Louisiana Major Projects Development Authority as a statewide political subdivision to act on behalf of the state to secure major economic impact projects. (Act 550 of 2003 R.S., SB 888)

### **Gaming**

- Funded teacher and faculty pay raises from land-based casino revenues and a portion of riverboat revenues dedicated to the Support Education in Louisiana First (SELF) Fund by:
  - 1) Reducing minimum compensation to the state from the land-based casino to a guaranteed lower amount (\$50 million – 04/01/01 through 03/31/02; \$60 million thereafter) and increasing the rate from 18.5% to 21.5%.
  - 2) Allowing riverboats to remain dockside and increasing the tax rate from 18.5% to 21.5% except for boats in Orleans Parish (limited by exclusivity provisions of the land-based casino contract) which have a sliding rate from 18.5% to 21.5% based on net gaming proceeds.  
(Act 1 of 2001 1<sup>st</sup> E.S., SB 1 and Act 3 of 2001 1<sup>st</sup> E.S., HB 2)
- Authorized the conduct of slot machine gaming at the Fairgrounds facility in Orleans Parish (only if such gaming does not affect exclusivity provisions of the Casino operation contract) and dedicated 5% of the state tax proceeds for an allied health and nursing program in Orleans Parish. (Act 352 of 2003 R.S., SB 828)
- Established the following new dedications to be paid out of the state tax revenues derived from the conduct of slot machine gaming at eligible live horse racing tracks:
  1. \$750,000 annually for the Equine Health Studies Program at the LSU School of Veterinary Medicine.
  2. \$500,000 annually for the Lighthouse for the Blind in New Orleans, Inc. (in addition to an existing dedication for the Affiliated Blind of La. And the La. Blind of Ruston (get real names)
  3. \$200,000 annually for improvement and beautification of New Orleans City Park.
  4. \$750,000 annually to the Southern University AgCenter.
  5. \$50,000 annually for the Southern Univ. Urban Tourism and Marketing Program
  6. \$50,000 annually to the Orleans Parish District Attorneys Office.

Also revised dedications of slot machine revenues in Bossier and St. Landry Parishes.

(Act 1009 of 2003 R.S., HB 88; Act 352 of 2003 R.S., SB 828; Act 1258 of 2003 R.S., HB 1776)

### **TIME Program**

- Extended the length of TIME program bonds from 20 years to 30 years and extended authority to issue bonds from January 1, 2005 to January 1, 2010 to allow completion of all TIME program projects. (Act 1 of 2000 R.S., SB 74)

### **GARVEE Bonds**

- Authorized issuance of debt financing instruments known as Grant Anticipation Revenue Vehicles (GARVEE) to finance accelerated construction of certain state transportation projects. Provides for pledge of certain federal highway funds as security for the bonds. Limits aggregate amount of principal and interest on such bonds to 10% of annual federal highway funds. (Act 46 of 2002 R.S., SB 80)

### **Saints/Hornets/Exhibition Hall Package**

- In the 1<sup>st</sup> Extraordinary Session of 2002, the Legislature adopted a package of incentives to retain the New Orleans Saints football team, attract the Hornets basketball team to the state, and upgrade the New Orleans Exhibition Hall including:
  - 1) Appropriated:
    - \$1,750,000 for costs of relocating the Charlotte Hornets to New Orleans
    - \$10,002,800 for NBA upgrades for the New Orleans Arena
    - \$6,750,000 to construct an indoor football practice facility for the Saints
  - 2) Changed dedication of a portion of the one cent state sales tax on hotel occupancy in Orleans Parish, previously dedicated to various special purposes. Instead allocated \$2 million to the Ernest N. Morial–New Orleans Exhibition Hall Authority and the remainder to fund contractual obligations of the state to any NFL or NBA franchise located in Orleans Parish.
  - 3) Provided for eligibility of Hornets basketball organization for benefits under the Louisiana Quality Jobs Program.
  - 4) Authorized the Ernest N. Morial-New Orleans Exhibition Hall Authority to issue bonds for the Phase IV expansion. Also authorized the authority to impose an additional 1% hotel occupancy tax in Orleans Parish and a ¼ of 1% tax on food and beverages sold by any food service establishment within Orleans Parish or in any airport owned by the city of New Orleans, excluding any establishment with less than \$500,000 in gross annual receipts.

(Act 152, HB 103; Act 164, HB 67; Act 73, HB 46; Act 110, HB 166; Act 72, HB 45)

### **Ad Valorem Tax**

- Removed the requirement of annual application for qualifying for the special assessment level for certain persons 65 years of age and older.  
(Act 87 of 2002 R.S., HB 58 – Constitutional Amendment; Act 55 of 2002 R.S., HB 59 – implementing legislation)



- Authorized an ad valorem tax exemption for developers of qualified retirement communities. Requires approval of Board of Commerce and Industry, Governor, Joint Legislative Committee on the Budget, and affected local governments. (Act 89 of 2002 R.S., HB 68 – Constitutional Amendment; Act 57 of 2002 R.S., HB 84 – implementing legislation)

### **The "Stelly Plan"**

- The “Stelly Plan”, passed by the Legislature in the 2002 Regular Session and approved by the voters in October 2002, reduced individual income tax brackets and eliminated the excess itemized deduction. It also eliminated the state sales and use tax on food for home consumption; natural gas; electricity and water sold directly to the consumer for residential use; and prescription drugs, after June 30, 2003.

Prior law provided for an individual income tax with the following rates and brackets:

<b>Rates</b>	<b>2% of Net Income</b>	<b>4% of Net Income</b>	<b>6% of Net Income</b>
Single	Up to \$10,000	\$10,000 to \$50,000	Over \$50,000
Joint	Up to \$20,000	\$20,000 to \$100,000	Over \$100,000

House Bill 36 changed the income tax bracket structure in the following manner:

<b>Rates</b>	<b>2% of Net Income</b>	<b>4% of Net Income</b>	<b>6% of Net Income</b>
Single	Up to \$12,500	\$12,500 to \$25,000	Over \$25,000
Joint	Up to \$25,000	\$25,000 to \$50,000	Over \$50,000

(Act 88, HB 31 – Constitutional Amendment; Act 51, HB 36 – implementing legislation)

### **Tobacco Tax**

- Increased the tax on cigarettes from 24¢ per pack to 36¢ per pack and dedicated the proceeds to the LSU Cancer Research Centers in New Orleans and Shreveport, smoking cessation programs, the DARE Program, the Office of Addictive Disorders in the Dept. of Health and Hospitals, the LSU and Southern Agricultural Centers, and the Office of State Police. (Act 19 of 2002 R.S., HB157)

### **Tax Credits**

- Reinstated and modified the Louisiana Capital Companies Tax Credit Program (CAPCO). Provides that the commissioner of financial institutions shall not certify a capital company to begin the program later than June 30, 2003, and shall not certify capital later than Dec. 31, 2003. Reduced the insurance premium tax credit from 110% to 100%. The premium tax credit cannot be taken against tax liabilities for two years. The total amount of credits allowed against the premium tax each year is

reduced from \$8 million to \$5 million. The total amount of income tax credits for each year is reduced from \$4 million to \$2 million. (Act 84 of 2002 R.S., HB 267)

- Provided for an income and corporation franchise tax credit not to exceed 25% of the eligible costs and expenses for rehabilitation of a historic structure located in a downtown development district for any taxable year. Any unused credit can be carried forward for up to five years. Provides that the tax credit is limited to one \$250,000 credit per structure. (Act 60 of 2002 R.S., HB 122)